

EXHIBIT 3

DIPPIN' DOTS FRANCHISING, INC.'S FRANCHISE AGREEMENT
GENERAL RELEASE
CUSTOMER AGREEMENT
CREDIT/DEBIT CARD AND GIFT CARD AGREEMENTS

DIPPIN' DOTS® FRANCHISING, INC.

FRANCHISE AGREEMENT

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DIPPIN' DOTS® FRANCHISE AGREEMENT

THIS AGREEMENT (this "Agreement"), is made and entered into on this ____ day of _____, _____, (the "Effective Date")_by and between DIPPIN' DOTS FRANCHISING, INC., a Kentucky corporation with its principal place of business at 1640 McCracken Blvd., Suite 100, Paducah, Kentucky 42001 ("Franchisor"), and _____, with a business address of _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor, possesses a System (the "System") defined in Exhibit D attached hereto;

WHEREAS, Franchisee desires to enter into the business of operating a retail store or establishment featuring novelty frozen ice cream, yogurt and ice under the System and using the Proprietary Marks in connection therewith, and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith;

WHEREAS, Franchisee has had sufficient opportunity to be thoroughly advised with respect to the terms and conditions of this Agreement by counsel of Franchisee's own choosing, Franchisee and Franchisor have concluded an agreement that they hereby reduce to this written document, which is intended to fully set forth all of the understandings and agreements and representations and warranties between them with respect to the subject matter of this Agreement; and

WHEREAS, Franchisee understands and acknowledges the value of Franchisor's high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with such standards and specifications;

NOW THEREFORE, for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. GRANT

1.1 Franchisor grants to Franchisee the right and Franchisee accepts the obligation, upon the terms and conditions set forth in this Agreement: (a) to establish and operate a franchised business under the Proprietary Marks and System at the location specified in Section 1.2 below (the "Franchised Business"); and (b) to use the Proprietary Marks and the System solely in connection therewith.

1.2 Franchisee shall operate the Franchised Business only at the location(s) shown on the attached EXHIBIT A - APPROVED LOCATION(S) ("Approved Location"). If, at the time of execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease or acquire a location, subject to Franchisor's approval, as provided in the Site Selection Addendum attached hereto as EXHIBIT A. Franchisee shall not relocate the Franchised Business, or operate the Franchised Business from any other location, without the prior written approval of Franchisor.

1.3

1.3.1 During the term of this Agreement, and except as otherwise provided herein, Franchisor shall not establish, nor license any other person to establish, a Franchised Business: at any location within a radius of thirty (30) feet from the principal entrance of the Approved Location (the "Protected Territory"). Franchisor retains the rights, among others: (a) to establish, and franchise others to establish, Franchised Businesses in any location outside the Protected Territory, regardless of proximity to the Approved Location; (b) to authorize the sale of the product in any format except a Franchised Business at any location, regardless of proximity to the Approved Location; and (c) to acquire and operate a business of any other kind at any location, regardless of proximity to the Approved Location.

1.3.2 After written request, and upon written approval from Franchisor, Franchisee will have the right to solicit and sell to a particular School Event within a reasonable proximity to Franchisee's Approved Location. No franchisee shall contact any School without prior written approval from Franchisor. Franchisor shall not grant any franchise to anyone to sell or supply any school as that term is defined in Exhibit D. Also, Franchisor shall not grant a franchise to anyone to

sell or supply any Airline, Airport, Amusement Center, Arena, Company Cafeteria, Movie Theater or Stadium as those terms are defined in Exhibit D hereof, nor shall Franchisee conduct sales via the World Wide Web or other similarly computer-linked telecommunications systems, including placing of orders or requests to pickup Product from Franchisee by e-mail. This provision shall not prevent Franchisee from otherwise communicating with customers by e-mail, so long as that communication does not involve receipt of orders for Product.

1.4

1.4.1 Franchisee acknowledges that absolute uniformity under certain conditions may not be possible or in the best interest of the System, Franchisee or Franchisor, and as a result the System may be modified from time to time by Franchisor with respect to certain of its other franchisees; and Franchisee agrees that Franchisor shall have the right to modify the terms of the franchise agreement for any other Franchisees based upon the unique attributes of its specific site or situation, existing business practices, business potential, population density or any other condition Franchisor considers important to the successful operation of such franchisee's business. Franchisee is not entitled to require Franchisor to grant Franchisee equivalent or similar variations granted to or permitted to any other franchisee or franchisor operated location.

1.4.2 Franchisee also acknowledges that modifications to the System may be appropriate from time to time because of developments (e.g. technology, industry standards, consumer preferences or costs of components of the System) or other changes affecting the System, and that as a result the System may be supplemented, improved or otherwise modified by Franchisor from time to time; and Franchisee agrees to comply with any such modifications implemented by Franchisor which Franchisor deems to be in the best interests of the System as a whole, including, without limitation, modifications with respect to offering and selling new or different products or services.

2. TERMS AND RENEWAL

2.1 This Agreement shall at 12:01 A.M. on the Effective Date, or in the event of a renewal of an existing Franchised Business, five (5) years from the expiration date of an existing Franchisee's previous Franchise Agreement, become fully effective and shall not relieve either party of any contractual obligation owed to the other party with respect to subject matter not covered by this Agreement, nor relieve either party of obligations owed by them to any third party, by way of

agreement entered into prior to the execution of this Agreement, and, except as otherwise provided herein, the term of this Agreement shall be five (5) years from the Effective Date.

2.2 If this is not a renewal of an existing agreement, Franchisee may renew the term of this Agreement for two (2) additional consecutive terms of five (5) years each, subject to the following conditions:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than three (3) months nor more than six (6) months prior to the end of the then-current term;

2.2.2 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the premises of the Franchised Business (the "Premises") as Franchisor may reasonably require, including, without limitation, installation of new equipment and renovation of signs, furnishings, fixtures and trade dress to reflect the then-current standards and image of the System;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor and its affiliates; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met those obligations throughout the term of this Agreement;

2.2.5 Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of franchise agreement, but only for such renewal terms as are provided by this Agreement, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher percentage royalty fee and advertising contribution, except that Franchisee shall not be required to pay any Initial Franchise Fee nor any increase in renewal fee;

2.2.6 Franchisee shall execute a general release, attached as Exhibit B, , of any and all claims against Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, agents and employees; and

2.2.7 Franchisee shall comply with Franchisor's then-current qualification and training requirements.

3. DUTIES OF FRANCHISOR

3.1 Franchisor shall make available, at no charge to Franchisee, standard plans and specifications for the prototypical Franchised Business, including lists, forms, schedules, equipment, exterior and interior design and layout, fixtures, furnishings and signs.

3.2¹ Franchisor shall provide training as set forth in Section 6 of this written Agreement.

3.3 Franchisor shall provide on-site pre-opening and opening supervision and assistance in such quantities as Franchisor deems advisable.

3.4 Franchisor shall make available to Franchisee advertising and promotional materials as described herein.

3.5 Franchisor shall provide Franchisee, on loan, one copy of Franchisor's Confidential Operating Manual, as more fully described herein.

3.6 Franchisor will maintain a telephone line for the exclusive benefit of its franchisees for informational assistance. Franchisor shall also provide to Franchisee from time to time, as Franchisor deems appropriate, advice and written materials concerning techniques of managing and operating the Franchised Business.

3.7 Franchisor shall conduct, as it deems advisable, inspections of Franchisee's operation of the Franchised Business.

3.8 Franchisor must approve the proposed site for the Premises in writing before beginning any construction or improvements. Franchisor will supply to Franchisee its site selection criteria. **FRANCHISOR'S APPROVAL OF A SITE IS NOT A REPRESENTATION OR WARRANTY THAT THE DIPPIN' DOTS® FRANCHISE WILL BE PROFITABLE OR THAT FRANCHISEE'S SALES WILL ATTAIN ANY PREDETERMINED LEVELS. APPROVAL IS INTENDED ONLY TO INDICATE THAT THE PROPOSED SITE MEETS FRANCHISOR'S MINIMUM CRITERIA FOR IDENTIFYING SITES. FRANCHISEE AGREES THAT FRANCHISOR'S APPROVAL OR DISAPPROVAL OF A PROPOSED SITE DOES NOT IMPOSE ANY LIABILITY ON FRANCHISOR.**

3.9 Franchisor may promote its franchises through advertising and public relations using the advertising fees paid by Franchisee as set forth herein. Franchisor shall continue to provide support to Franchisee in the improvement and operation of Franchisee's Franchised Business by means of periodic visits by representatives of Franchisor. Franchisor shall continue to make itself available for consultation on matters such as operation, advertising and promotion, and business methods on such terms and for such additional service fees as may be mutually agreed.

3.10 Franchisor undertakes these obligations exclusively for the benefit of Franchisee, and no party other than Franchisee shall be entitled to the benefit thereof.

4. FEES

4.1 In consideration of the franchise granted herein, Franchisee shall pay to Franchisor an Initial Franchise Fee (the "Initial Franchise Fee") of Twelve Thousand Five Hundred Dollars (\$12,500.00) upon execution of this Agreement.

4.1.1 The Initial Franchise Fee for original and any additional franchise shall be deemed fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor in connection with entering into this Agreement.

4.1.2 Franchisee shall pay to Franchisor, upon Franchisee's election to renew the term of this Agreement, a renewal fee as indicated in Exhibit E. The renewal fee shall be deemed fully earned and non-refundable upon payment in consideration of administrative expenses incurred by Franchisor for the renewal process.

4.1.3 Notwithstanding the provisions of Section 4.1 above, if Franchisee has purchased, or received, a prior franchise directly from Franchisor for the above stated Initial Franchise Fee, then the Initial Franchise Fee for any additional franchise shall be, as indicated in Exhibit E. Franchisor reserves the right to alter, modify or rescind this provision, at Franchisor's sole discretion, without notice to Franchisee. Franchisor does not guarantee this franchise fee scale on future purchases; all subsequent purchases will be at the then-current Initial Franchise Fee rate for additional purchases.

4.2 Franchisee shall make weekly expenditures and contributions for advertising and promotion as specified herein.

4.3 Franchisee shall pay to Franchisor a continuing Royalty Fee in an amount equal to four percent (4%) of the Gross Sales of the Franchised Business.

4.4 All payments required by Sections 4.2 and 4.3 shall be made on or before five o'clock p.m. CST each Wednesday, calculated on the Gross Sales for the preceding week which begins on Sunday and ends on Saturday. Any payment or report not actually received by Franchisor on or before its due date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor a late charge for the fourth late payment in a calendar year and each subsequent late payment immediately upon demand by DDF of Seventy-Five Dollars (\$75.00), or the maximum permitted by law, whichever is less. Entitlement to such late fee shall be in addition to any other remedies Franchisor may have. Franchisee shall not be entitled to set-off any payments required to be made under this Section against any monetary claim, or to withhold any such payments as a result of any claim, it may have against Franchisor. Franchisee acknowledges that Franchisor may utilize an automated information collection system for sales reports and payment collection. Franchisee agrees to take whatever action is necessary to obtain telephone and Internet access in order to access and utilize Franchisor's system.

4.5 If directed by Franchisor, Franchisee agrees to make all payments required herein by wire transfer (or ACH debit) to such bank account as Franchisor may designate (the "Bank Account"). Franchisee's cost of remittance of payments to the Bank Account shall be borne by Franchisee. In the event such bank account as Franchisee designates for ACH debit payments has insufficient funds at the time an ACH debit transfer is attempted, then Franchisee shall pay Franchisor a service fee of Fifty Dollars (\$50.00), immediately upon demand by Franchisor. This fee may, if applicable, be in addition to the late fee of Seventy Five Dollars (\$75.00) in Section 4.4.

4.6 Persons owning a franchise by Franchisor will have, for a fee of Two Hundred Fifty Dollars (\$250.00), the option, for a term of three (3) months, to purchase a franchise, subject to the terms of the then existing Franchise Agreement, provided Franchisor shall have the right at all times prior to the exercise of the option to offer the franchise for sale, and in the event Franchisor receives a bona fide offer satisfactory to Franchisor, said franchise shall first be offered to such persons holding the option at the price and under the terms of the Franchise Agreement existing at the time of the purchase of the

option. One option fee will be applied toward the Initial Franchise Fee upon exercise of the option. In the event the option is not exercised before the expiration of such three (3) month term, Franchisor shall retain the option fee.

4.6.1 In no event will the purchase of an option described in Section 4.6 cause the Initial Franchise Fee to be less than the amount shown in Exhibit E, less the option fee.

5. CONSTRUCTION AND OPENING OF THE FRANCHISED BUSINESS

5.1 Franchisee shall purchase from an Approved Supplier a kiosk, cart and/or equipment to complete their Approved Location.

5.2 Franchisee shall participate in Franchisor's credit/debit card and gift card acceptance program through Approved Suppliers that Franchisor provides to Franchisees. Franchisee agrees to lease or purchase, as required by Franchisor's Approved Supplier for its credit/debit card payment and gift card programs, such equipment as is necessary for Franchisee to fully participate in Franchisor's credit card payment and gift card programs.

5.3 Franchisee shall employ a qualified, licensed architect or engineer to prepare, for Franchisor's approval, preliminary plans and specifications for construction of the Franchised Business based upon the plans and specifications furnished by Franchisor, if necessary in the opinion of Franchisor. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations, or which may be necessary or advisable. Franchisee must submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans may not thereafter be changed or modified without the prior written consent of Franchisor. Franchisee must obtain all permits required for the lawful construction and operation of the Franchised Business and must certify in writing to Franchisor that all such permits have been obtained. Franchisee must employ a qualified general contractor to construct the Franchised Business and to complete all improvements. Franchisee must obtain and maintain in force during the entire period of construction the insurance required under this Agreement.

5.4 Franchisee shall open the Franchised Business within

twelve (12) months after the Effective Date of this Agreement. The parties agree that time is of the essence in the opening of the Franchised Business.

5.5 In connection with the opening of the Franchised Business:

5.5.1 Franchisee shall conduct, at Franchisee's expense, such grand opening promotional and advertising activities as Franchisor may require, but be a minimum of at least \$500.00.

5.5.2 Franchisee shall provide at least seven (7) days' prior notice to Franchisor of the date on which Franchisee proposes to first open the Franchised Business. Franchisee shall not open the Franchised Business without Franchisor's prior approval or without a representative of Franchisor present, unless Franchisor specifies that neither such approval nor a representative of Franchisor is required.

6. TRAINING

6.1 Prior to the opening of the Franchised Business, Franchisee (or, if Franchisee is a corporation or partnership, a principal of Franchisee acceptable to Franchisor), and Franchisee's manager shall attend and complete to Franchisor's satisfaction the initial training program offered by Franchisor. At Franchisor's option, any persons subsequently employed by Franchisee in the position of manager shall also attend and complete Franchisor's training program, to Franchisor's satisfaction.

6.2 Basic Management Training will be for up to two (2) individuals representing Franchisee for a four-day training period (minimum of seven hours per day) at Franchisor's offices or a Dippin' Dots® business as designated by Franchisor. DDF has the discretion to shorten the training period. However, all trainees must satisfactorily pass the Basic Management Training test. Unless otherwise agreed in writing, Franchisee must be one of these two individuals. Franchisee shall designate as one of these two individuals a person who will be active in the day-to-day activities of the Franchise Location. All trainees must be acceptable to Franchisor.

6.2.1 In addition to a written test, Basic Management Training includes instruction in food preparation and

service, food ingredients and general nutrition, equipment usage, system operation, marketing, accounting and use of trademarks, all at a time scheduled by Franchisor.

6.2.2 Basic Management Training is provided approximately 30-45 days after the signing of the Franchise Agreement and the approval of the site selected for the Franchised Business, whichever occurs later.

6.2.3 Franchisor will provide, at its expense, instructors, facilities, training materials and technical training tools for Basic Management Training. Franchisee is responsible for all expenses of its trainees incurred in attending Basic Management Training including, without limitation, all travel, lodging and meal expenses.

6.2.4 If Franchisee desires that additional individuals receive Basic Management Training, or if additional individuals must be trained to meet the requirements of this Section, or related assistance above and beyond Franchisor's usual training program and routinely scheduled visits is needed, then Franchisee shall pay all expenses incurred to have such individuals attend Basic Management Training, including, without limitation, reasonable training fees (currently \$75.00 per day per individual) and other reasonable expenses. Payment for these services is due upon demand.

6.3 If any trainee fails to satisfactorily complete Basic Management Training by passing the Basic Management Training test with a score of at least seventy-five percent (75%), Franchisor may elect to terminate this Agreement and retain all the fees collected pursuant to this Agreement.

6.4 Franchisee and/or Franchisee's manager and other employees shall also attend such additional courses, seminars and other training programs as Franchisor may reasonably require from time to time, but not more often than twice per year.

6.5 With Franchisor's prior written approval, the completion of the Basic Management Training Program shall enable franchisees and their employees to train new employees in the Basic Management Training Program and to certify their completion thereof.

6.6 All training programs shall be at such times and places as may be designated by Franchisor. For all required initial and additional, training courses, seminars, and programs, as referenced in section 6.2 above, Franchisor shall provide, at

no charge to Franchisee, instructors and training materials; and Franchisee or its employees shall be responsible for any and all other expenses incurred by them in connection with any such courses, seminars and programs, including, without limitation, the costs of transportation, lodging, meals and wages.

7. DUTIES OF FRANCHISEE

7.1 Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisee, Franchisor and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchised businesses operating under the System and to protect Franchisor's reputation and goodwill.

7.2 Franchisee is solely responsible for selecting the site of Franchisee's Franchised Business. However, Franchisor may assist Franchisee in site selection and lease negotiations as provided in this Agreement.

7.2.1 If a site for the Franchised Business has not been selected prior to the Effective Date, Franchisee must complete the acquisition and construction if a building is to be constructed or renovation if an existing building is to be improved, or lease arrangements for the Premises located in the Approved Location, at Franchisee's expense within ninety (90) days of the Effective Date. Franchisor shall not unreasonably withhold approval of any site meeting Franchisor's site selection criteria referred to in Section 3.8 and any other standards Franchisor may consider relevant in approving or disapproving a site. Franchisor shall review site approval on a first-in basis. If Franchisor does not approve the selected site, Franchisee has ninety (90) days from the date Franchisor specifies that the site will not be approved to submit a new site. If a site has not been submitted within such ninety (90) day period, Franchisor may terminate this Agreement and retain the Initial Franchise Fee.

7.2.2 If Franchisee intends to purchase the site, the purchase agreement shall be submitted to Franchisor for its written approval. Franchisee is solely responsible for securing any necessary acquisition, construction, permanent or other financing of the site and Premises.

7.2.3 Any lease or sublease by Franchisee of the Premises must be approved by Franchisor. Franchisee must deliver a copy of the signed lease or sublease to Franchisor within

fifteen (15) days of its signing. Franchisee must agree not to sign or agree to any modification of the lease or sublease that would adversely affect Franchisor without Franchisor's written approval.

7.3 Franchisee shall use the Premises solely for the operation of the business franchised hereunder; shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor; and shall operate the Franchised Business in strict conformity with such methods, standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Franchisee shall refrain from deviating from such methods, standards and specifications without Franchisor's prior written consent. Franchisee shall not allow Catering to exceed fifty percent (50%) of Franchisee's Gross Sales.

7.4 To ensure that the highest degree of quality and service is maintained, Franchisee agrees:

7.4.1 To maintain in sufficient supply (as Franchisor may prescribe in the Manual or otherwise in writing), and to use at all times, only such fixtures, furnishings, equipment, signs, menu items, ingredients, products, materials, supplies and paper goods that conform with Franchisor's standards and specifications, and to refrain from deviating therefrom by the use of nonconforming items, without Franchisor's prior written consent.

7.4.2 To sell or offer for sale only such menu items, products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all types of menu items, products and services specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, products or services which Franchisor may, in its sole discretion, disapprove in writing at any time.

7.4.3 To use in the preparation of food products, ingredients and recipes meeting the quality standards and specifications as prescribed by Franchisor. Franchisee may purchase or lease equipment, supplies, inventory, advertising materials, construction services or other products or services from manufacturers, contractors and other suppliers ("Suppliers")

other than those currently authorized, but only in accordance with Section 7.6 of this Agreement.

7.4.4 To use and display only the standard format menu provided by Franchisor, as the same may be revised by Franchisor from time to time. Any changes in the menu format, except prices charged by Franchisee to its customers, must be approved in writing by Franchisor prior to use.

7.4.5 To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, supplies and signs as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, signs or other items not previously approved as meeting Franchisor's standards and specifications.

7.4.6 To refrain from selling, or offering for sale, any alcoholic beverages.

7.5 Franchisee shall purchase and install, at Franchisee's expense, equipment (including, without limitation, a telecopy machine, telephone, Internet access/e-mail communication system and cash register or point-of-sale recording system) as Franchisor may reasonably direct from time to time; and shall refrain from installing or permitting to be installed on or about the Premises, without Franchisor's prior written consent, any equipment not previously approved as meeting Franchisor's standards and specifications. Franchisee shall record all sales at or from the Franchised Business only on cash registers dedicated solely to the recordation of sales at or from the Franchised Business ("Cash Register(s)"). Franchisee shall report in writing to Franchisor, and obtain Franchisor's written approval of, the make, model and serial number of each Cash Register prior to the use of such Cash Register by Franchisee. Cash Registers shall meet Franchisor's specifications which may include, among other things, the reset, that it have a back-up system for memory storage in the event of a power loss and that the Cash Register have a modem capacity to permit Franchisor to gain access to the information stored in the Cash Register during and after business hours. The provisions of this section, other than the requirement that Franchisee not allow installation of non-approved equipment, shall not apply to Fair/Festival franchises.

7.6 All products sold or offered for sale at the Franchised Business shall meet Franchisor's then-current standards and specifications as established in the Manual or otherwise in writing. Franchisee shall purchase all products solely from Suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manual or otherwise in writing.

7.6.1 If Franchisee desires to purchase products from other than approved Suppliers, Franchisee must submit samples of the Supplier's products to Franchisor together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require. Franchisor shall have the right to require that its representatives be permitted to inspect the Supplier's facilities, and that samples from the Supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor shall, within thirty (30) days after its receipt of such completed request and completion of such evaluation and testing (if required by Franchisor), notify Franchisee in writing of its approval or disapproval of the proposed Supplier. Approval shall not be unreasonably withheld. Approval of a Supplier may be conditioned on numerous requirements and may be temporary, pending Franchisor's additional evaluation of the Supplier.

7.6.2 Franchisee shall not sell or offer for sale any products of the proposed Supplier until Franchisor's written approval of the proposed Supplier is received. Franchisor may from time to time revoke its approval of particular products of Suppliers when Franchisor determines, in its sole discretion, that such products or Suppliers no longer meet Franchisor's standards or specifications. Upon receipt of written notice of such revocation, Franchisee shall cease to sell any disapproved products and cease to purchase from any disapproved Supplier. Franchisee agrees that it shall use products purchased from approved Suppliers solely for the purpose of operating the Franchised Business and not for any other purpose, including, without limitation, resale.

7.7 At the time the Franchised Business opens, Franchisee shall stock and display the initial inventory of products and supplies prescribed by Franchisor in the Manual or otherwise in writing. Thereafter, Franchisee shall stock and

maintain all types of approved products in quantities sufficient to meet reasonably anticipated customer demand.

7.8 Franchisee shall permit Franchisor and its agents to enter the Premises at any time during normal business hours for the purpose of conducting inspections; shall cooperate with representatives of Franchisor in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to require Franchisee to reimburse Franchisor for Franchisor's expenses in so acting, payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

7.9 Franchisee shall ensure that all advertising and promotional materials, signs, decorations and other items specified by Franchisor bear the Proprietary Marks in the form, color, location and manner prescribed by Franchisor.

7.10 Franchisee shall maintain the Premises (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment and decor as Franchisor may reasonably direct.

7.11 At Franchisor's request, but not more often than once every five (5) years (unless sooner required by Franchisee's lease), Franchisee shall refurbish the Premises, at its expense, to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks in a manner consistent with the then-current image for new franchised businesses. Such refurbishment may include, without limitation, structural changes, installation of new equipment, remodeling, redecoration and modifications to existing improvements.

7.12 Each of Franchisee's Franchised Businesses shall at all times be under the direct supervision of a qualified manager. Each Franchised Business shall have at least one qualified

manager. Franchisee shall maintain a competent, conscientious, trained staff, including at least one fully trained manager (who may be the Franchisee). Franchisee shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards as Franchisor may establish from time to time in the Manual. Franchisee and its employees shall handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from the name and goodwill of Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision and discipline of employees.

7.13 Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall provide Franchisor advance written notice of any change, amendment or improvement in the System which Franchisee proposes to make and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title and interest therein without compensation to Franchisee.

7.14 Franchisee shall comply with all terms of its lease or sublease, and all other agreements affecting the operation of the Franchised Business; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

7.15 Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of every health inspection report related to the Franchised Business.

7.16 Franchisee will maintain a competent, conscientious staff and employ the minimum number of employees necessary to meet the anticipated volume of business and to achieve the goals of the System. Franchisee will take all steps necessary to ensure that his or her employees meet all employment criteria, maintain a neat appearance and comply with the dress code required by Franchisor. Franchisee is solely responsible for the

terms of their employment and compensation and, except for training required under this Agreement, for the proper training of the employees in the operation of the Franchise. Franchisee is solely responsible for all employment decisions and functions, including hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping. Franchisee will not recruit or hire any employee of Franchisor or a Dippin' Dots® Franchise operated by another Franchisee without obtaining the employer's written permission.

7.17 DDF, now and in the future, may receive rebates or other payments from approved suppliers, or from other suppliers, including equipment and kiosk suppliers, manufacturers, distributors, packagers or other service providers based on sales to DDF's franchisees and DDF's owned stores. Such rebates or payments will not exceed fifteen (15%) percent of the ongoing purchases of equipment, supplies, ingredients and other items used or sold in your franchise.

8. PROPRIETARY MARKS

8.1 Franchisor represents with respect to the Proprietary Marks that: Franchisor has the right to use, and to license others to use, the Proprietary Marks. The Proprietary Marks are licensed to Franchisor by Dippin' Dots, Inc., an Illinois corporation ("DDI"). These marks include, but are not limited to: DIPPIN' DOTS® and Design, and Logo; and DIPPIN' DOTS ICE CREAM OF THE FUTURE® and Design, and Logo.

8.2 With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor; "Proprietary Property" means the trademarks and other intellectual property that the franchisor designates as Proprietary Property.

8.2.2 Franchisee shall use the Proprietary Marks only for the operation of the Franchised Business and only at the Approved Location, or in advertising for the Franchised Business that is approved by Franchisor;

8.2.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Franchised Business only under the name "DIPPIN' DOTS®", and shall use all Proprietary Marks without prefix or suffix. Franchisee shall not

use the Proprietary Marks as part of its corporate or other legal name;

8.2.4 Franchisee shall identify itself as the owner of the Franchised Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts and business stationery, as well as at such conspicuous locations as Franchisor may designate in writing at the Premises and on any delivery vehicles used in the operation of the Franchised Business;

8.2.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement and any unauthorized use thereof shall constitute an infringement of rights of Franchisor and/or DDI;

8.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor and/or DDI;

8.2.7 Franchisee shall execute any documents deemed necessary by Franchisor and/or DDI to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

8.2.8 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, any challenge to DDI's ownership of, or Franchisor's right to use and to license others to use the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation, but not the obligation to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with the Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense

or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket expenses in doing such acts.

8.3 Franchisee expressly understands and acknowledges that:

8.3.1 DDI is the owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that DDI and Franchisor have the right to use, and license others to use, the Proprietary Marks;

8.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

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

8.3.4 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

8.3.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of DDI and/or Franchisor, 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 Proprietary Marks;

8.3.6 Except as specified herein, the license of the Proprietary Marks granted hereunder to Franchisee is non-exclusive, and thus Franchisor and DDI each have and retain the rights, among others: (a) to use the Proprietary Marks itself in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar Proprietary Marks or any other Proprietary Marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

8.3.7 Franchisor reserves the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder at Franchisor's sole discretion. Franchisor shall bear the costs of modifying Franchisee's signs and advertising materials to conform to Franchisor's new Proprietary Marks, but shall otherwise have no obligation or liability to Franchisee as a result of such substitution.

9. OPERATING MANUAL

9.1 In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Business in accordance with the standards, methods, policies and procedures specified in Franchisor's Confidential Operating Manual (the "Manual"), one copy of which Franchisee shall receive on loan from Franchisor for the term of this Agreement no later than the commencement of the initial training program described above in Section 6 by the first representative of Franchisee to take such program.

9.2 Franchisee shall treat the Manual, any other materials created for or approved for use in the operation of the Franchised Business and the information contained therein, as CONFIDENTIAL, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not copy, duplicate, record or otherwise reproduce any of the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, and shall not use any of such materials except for the purposes specified herein.

9.3 The Manual shall remain the sole property of Franchisor and shall be kept in a secure place on the Premises.

9.4 Franchisor may from time to time revise the contents of the Manual, and Franchisee expressly agrees to comply with the Manual as revised.

9.5 Franchisee shall ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by Franchisor at Franchisor's home office shall be controlling.

9.6 In the event the Manual should become lost, stolen or damaged so as to render it, in Franchisor's sole determination, unusable, Franchisee shall pay a replacement fee

of not less than two hundred (\$200.00) dollars.

10. CONFIDENTIAL INFORMATION

10.1 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, partnership, association or corporation any confidential information, knowledge or know-how concerning the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement.

10.2 At Franchisor's request, Franchisee shall require its manager and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

11. ACCOUNTING AND RECORDS

11.1 Franchisee shall record all sales on a computer-based, point-of-sale record keeping and control system designated by Franchisor, or on any other equipment specified by Franchisor in the Manual or otherwise in writing. Franchisee shall prepare, and shall preserve for at least three (3) years from the date of their preparation, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.2 All Gross Sales, and all sales tax and other charges collected on behalf of third parties, shall be recorded by Franchisee in accordance with the procedures prescribed in the Manual and on such cash register or point-of-sale recording

system as Franchisor may specify.

11.3 Franchisee shall, at Franchisee's expense, submit to Franchisor in the form prescribed by Franchisor, the following reports, financial statements and other data:

11.3.1 No later than Wednesday of each week, a report accurately reflecting all Gross Sales during the preceding week that ended on Saturday;

11.3.2 Upon request of Franchisor, financial statements, audited by an independent certified public accountant reasonably acceptable to Franchisor, showing the results of operations of the Franchised Business during any fiscal year during the term of this Agreement; and

11.3.3 Such other forms, reports, records, information and data as Franchisor may reasonably designate.

11.4 Franchisor and its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, accounts and sales tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an examination or audit should reveal that any amounts payable to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an examination or audit discloses an understatement in any report of five percent (5%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with any such examination or audit (including, without limitation, travel, lodging and wages expenses and reasonable accounting, auditing and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12. ADVERTISING AND PROMOTION

12.1 Franchisor shall have the right to establish, at any time, the Advertising Fund and/or a regional advertising fund, as described in this Section 12.

12.2 For each month during the term of this Agreement, Franchisee shall, beginning January 1, 2006, contribute to the

Advertising Fund in an amount which, in the aggregate of both the Advertising Fund and all regional Advertising Funds, is equal to two percent (2%) of Franchisee's Gross Sales during the preceding week, to advertise and promote the Franchised Business (the "Advertising Contribution"). The Advertising Contribution shall be paid by Franchisee in the manner required pursuant to Section 12.3 below.

12.3 Franchisee's Advertising Contribution shall be divided in such proportions as may be designated by Franchisor in its sole discretion among the following: (a) payments to the Advertising Fund; (b) payments to any regional advertising fund; or (c) expenditures on Local advertising and promotion.

12.4 The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

12.4.1 Franchisor or its designee shall direct all advertising programs, with sole discretion over the concept, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition, acceptance and use of the System; and that Franchisor and its designee are not obligated, in administering the Advertising Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.

12.4.2 The Advertising Fund, all contributions thereto and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations and/or promotional image of the System, including, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising and/or public relations agencies to assist therein; purchasing promotional items and conducting and administering visual merchandising, point of sale and other merchandising programs; and providing promotional and other marketing materials and services to the Franchised Businesses operated under the System. The Advertising Fund may also be used to provide rebates or reimbursements to Franchisees for local expenditures on products, services or improvements, approved in advance by Franchisor, which products, services or improvements Franchisor deems, in its sole discretion, will promote general public awareness and favorable support for the System.

12.4.3 Franchisee shall contribute to the Advertising Fund at such times and by such means as are required pursuant to Section 4.4 hereof. Amounts paid by Franchisee to the Advertising Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses, except for such reasonable costs and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Advertising Fund and advertising programs for franchisees and the System, including, among other things, costs of personnel for creating and implementing advertising, merchandising, promotional and marketing programs. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor or its designee shall maintain separate bookkeeping accounts for the Advertising Fund.

12.4.4 The Advertising Fund is not and shall not be an asset of Franchisor. A statement of the operations of the Advertising Fund as shown on the books of Franchisor shall be prepared annually by Franchisor and shall be made available to all Franchisees.

12.4.5 Although the Advertising Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and/or promotional purposes.

12.5 Any regional advertising pertaining to the Franchised Business shall be conducted by and through a regional advertising fund ("Regional Fund") established by Franchisor for that purpose. Franchisor shall have the right, in its discretion, to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee shall become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. The following provisions shall apply to each such Regional Fund:

12.5.1 Each Regional Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing.

12.5.2 Each Regional Fund shall be organized for

the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in Local advertising and promotion.

12.5.3 No advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without the prior approval of Franchisor, pursuant to the procedures and terms as set forth herein.

12.5.4 Franchisee shall submit its required contributions, which shall not exceed two (2%) percent of Gross Sales, to the Regional Fund at such times as are required pursuant to Section 4 hereof, together with such other statement or reports as may be required by Franchisor, or by the Regional Fund with Franchisor's prior written approval.

12.5.5 Although once established, each Regional Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate any Regional Fund. A Regional Fund shall not be terminated, however, until all monies in that Regional Fund have been expended for advertising and/or promotional purposes.

12.6 All Local advertising and promotion by Franchisee shall be in such media, and of such type and format, as Franchisor may approve; shall be conducted in a dignified manner; and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth herein.

12.7 Franchisor shall make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials developed by Franchisor for Local Advertising or promotions, including newspaper slicks, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs and similar advertising and promotional materials.

12.8 For all advertising and promotional plans which require Franchisor's approval prior to use, Franchisee or the Regional Fund, where applicable, shall submit samples of such plans and materials to Franchisor (by means described in Section 22 hereof) for Franchisor's prior written approval (except with respect to prices to be charged). If written approval is not received by Franchisee or the Regional Fund from Franchisor of

such samples or material, Franchisor shall be deemed to have disapproved them.

12.9 Franchisee understands and acknowledges that the required contributions and expenditures are minimum requirements only, and that Franchisee may, and is encouraged by Franchisor to, expend additional funds for Local Advertising and promotion.

12.10 As used in this Agreement, the term "Local Advertising and Promotion" shall consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point-of sale materials), media (space or time), production, promotion and those direct out-of-pocket expenses related to costs of advertising and sales promotion; the parties expressly agree that the term "Advertising and Promotion" shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

12.10.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

12.10.2 Charitable, political or other contributions or donations;

12.10.3 The value of discounts provided to consumers;

12.10.4 The cost of food items, including sampling costs; and

12.10.5 Specialty items (e.g. cups, banners, t-shirts, and premiums), unless such items are a part of a system-wide advertising and sales promotion program and only to the extent that the cost of such items is not recovered by the promotion.

13. INSURANCE

13.1 Franchisee shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor and DDI, as well as their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal

injury, death or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Franchised Business, including, but not limited to, comprehensive general liability insurance, property and casualty insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance and business interruption insurance. Such policy or policies shall be written by a responsible carrier or carriers acceptable to Franchisor, shall name Franchisor and DDI as an additional insured thereunder (in such manner as may be specified by Franchisor), shall provide at least the types of coverage specified in the Manual and in the amount of not less than One Million Dollars (\$1,000,000.00) per occurrence and Two Million Dollars (\$2,000,000.00) in the aggregate and contain a waiver by Franchisee and its insurers of their subrogation rights against Franchisor and its affiliates and their respective shareholders, directors, employees and agents.

13.2 Franchisee's obligation to obtain and maintain the policy or policies in the amount of Two Million Dollars (\$2,000,000.00) shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth herein.

13.3 Franchisee shall obtain at least one quote for the required insurance from Peel & Holland, Paducah, Kentucky. Franchisee may obtain as many other quotes for required insurance in its discretion provided that all such quotes shall be for the same or similar required insurance policies as those obtained from Peel & Holland. Franchisee may select its insurance carrier in its sole discretion, subject to the minimum coverage required by this Agreement.

13.4 Prior to the commencement of any operations under this Agreement, and thereafter at least twenty (20) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation of the coverage evidenced by such Certificates.

13.5 Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the manual or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to procure such

insurance and to charge the same to Franchisee, which charges shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14. TRANSFER OF INTEREST

14.1 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee's (or, if Franchisee is a corporation or partnership, its principal's) business skill, financial capacity and personal character. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, corporation or other legal entity which directly or indirectly owns any interest in Franchisee or in all or substantially all of the assets of the Franchised Business shall sell, assign, transfer, convey, pledge, mortgage, encumber, merge or give away any direct or indirect interest in this Agreement, in Franchisee or in all or most of the assets of the Franchised Business (collectively, a "Transfer") without the prior written consent of Franchisor required by this Section pursuant to the conditions of this Section 14.1, et seq.; and such transfer shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 15 of this Agreement.

14.2 Franchisee shall notify Franchisor in writing of any proposed Transfer of any direct or indirect interest in this Agreement, in Franchisee or in all or substantially all of the assets of the Franchised Business at least thirty (30) days before each Transfer is proposed to take place. Franchisor shall not unreasonably withhold its consent to any Transfer. Any such transfer shall be subject to the requirement that one person be designated as a controlling owner of Franchisee's entity, owning at least 51% of the Franchisee's partnership, limited liability company or corporation. If a Transfer, alone or together with other previous, simultaneous or proposed Transfers, would have the effect of changing control of Franchisee or substantially all of the assets of the Franchised Business, Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

14.2.1 That the person to be designated as a controlling owner of the franchisee's entity owns and controls not less than fifty-one (51%) of the general partnership interest

if a partnership, membership interests if a limited liability company, or shares if a corporation;

14.2.2 That the person to be designated as a controlling owner meet all of Franchisor's requirements for approval as a Franchisee;

14.2.3 That all franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates have been satisfied;

14.2.4 That Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto or any other agreement between Franchisee and Franchisor or its affiliates;

14.2.5 That the transferor shall have executed a release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, Franchisor's owner(s), affiliates and their respective officers, directors, agents and employees;

14.2.6 That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement; and, if the obligations of Franchisee were guaranteed by the transferor, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

14.2.7 That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) demonstrate to Franchisor's satisfaction that it (a) meets Franchisor's educational, managerial and business standards; (b) possesses a good moral character, business reputation and credit rating; (c) possesses the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise); and, (d) has adequate financial resources and capital to operate the Franchised Business;

14.2.8 That the transferee execute for the Franchised Business, for a term ending on the expiration date of this Agreement and with such renewal provisions as are provided by this Agreement, the then-current form of franchise agreement and other ancillary agreements as Franchisor requires for a franchised business, which agreements shall supersede this