

FRANCHISE DISCLOSURE DOCUMENT

U-SWIRL INTERNATIONAL, INC.
(a Nevada Corporation)

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www.u-swirl.com; www.yogurtini.com; www.cherryberryyogurtbar.com



U-Swirl International, Inc. (“**USI**”) offers franchises for the operation of self-service frozen yogurt stores under the marks “U-Swirl Frozen Yogurt”, “CherryBerry”, “Yogurtini”, “Yogli-Mogli”, “Aspen Leaf Yogurt”, “Let’s Yo!” and “Fuzzy Peach” (collectively “**USI Stores**”), which stores may also offer beverages and other frozen dessert products.

The total investment necessary to begin operation of a USI Store franchise is from \$339,000 to \$464,000. These amounts include \$25,000 that must be paid to the franchisor or its affiliate.

USI may also offer to qualified candidates the right to develop USI Stores that are co-branded with a Rocky Mountain Chocolate Factory store. If offered, you will be given a copy of the Disclosure Document for Rocky Mountain Chocolate Factory. The total investment necessary to add Rocky Mountain Chocolate Factory co-branded operations to your USI Store is from \$50,000 to \$266,000. These amounts include an additional \$6,000 that must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Development Department at 265 Turner Drive, Durango, Colorado 81303 USA and 877-536-7080, e-mail: info@u-swirl.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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.

Issue Date: September 7, 2021

How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit G or Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide the support to my business?	Item 21 or Exhibit C includes the financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only U-SWIRL INTERNATIONAL 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 U-SWIRL INTERNATIONAL franchisee?	Item 20 or Exhibit G and Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know about Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Colorado except for franchisees in the states of California, Idaho, Illinois, Iowa, Minnesota, Rhode Island, and South Dakota, where the franchise agreement requires that disputes are submitted first to non-binding arbitration in Colorado and, failing settlement, then are litigated. Out-of-state non-binding arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to submit disputes first to non-binding arbitration or to litigate with the franchisor in Colorado than in your home 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.

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

Any questions regarding the notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attention: Franchise Section
P.O. Box 30213
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, “**USI**” means U-Swirl International, Inc., the franchisor. USI may also be referred to as “**we**” or “**us**,” or “**our**.” “**You**” or “**your**” means the person(s) or business entity that buys the franchise. If “**you**” is a business entity, “**you**” includes the owners of the business to the extent the owners of the business guaranty or otherwise agree to perform or be bound by the obligations of the business entity.

As of the date of this Disclosure Document, USI does business under the names U-Swirl International, Inc., U-Swirl Frozen Yogurt, U-Swirl, Yogurtini, Aspen Leaf, CherryBerry, CherryBerry Self-Serve Yogurt Bar, Yogli Mogli, Let’s Yo! and The Fuzzy Peach Frozen Yogurt Bar, and no other names.

USI was incorporated in Nevada on September 4, 2008. Until February 29, 2016, USI was a wholly-owned subsidiary of U-Swirl, Inc., f/k/a Healthy Fast Food, Inc., making U-Swirl, Inc. the parent company of USI. Healthy Fast Food, Inc. was incorporated in Nevada on November 14, 2005, and the name of the corporation was changed to U-Swirl, Inc. on May 16, 2011. The principal business address of USI is 265 Turner Drive, Durango, Colorado 81303 USA. The principal business address of U-Swirl, Inc. is the same as USI’s address. USI’s agents for service of process are disclosed in Exhibit A.

Parents, Predecessors and Affiliates

On September 30, 2008, USI acquired the major portion of its assets (at that time) from U-Swirl Yogurt, Inc., now known as U Create Enterprises Incorporated (“**Yogurt, Inc.**”). Those assets consisted primarily of the U-Swirl Frozen Yogurt system. The principal business address of Yogurt, Inc. is 790 Coronado Center Drive, Henderson, Nevada 89052.

On January 14, 2013, U-Swirl, Inc. acquired (by purchase and license to use) the assets of the “Aspen Leaf” system from Aspen Leaf Yogurt, LLC (“**AL**”), which was at that time a wholly-owned subsidiary of Rocky Mountain Chocolate Factory, Inc. (“**RMCF**”). The principal business address of those two entities is 265 Turner Drive, Durango, Colorado 81303. On that same date U-Swirl, Inc. also acquired the assets of six “Aspen Leaf” frozen yogurt stores (“**Aspen Leaf Stores**”) from AL. The assets referred to in this paragraph are referred to collectively below as the “**Aspen Leaf Assets**.”

Also on January 14, 2013, U-Swirl, Inc. purchased all of the ownership interests of Ulysses Asset Acquisition, LLC (“**Ulysses**”) from RMCF. Immediately prior to that purchase by U-Swirl, Inc., Ulysses had purchased from YHI, Inc. and Yogurtini International, LLC the assets of the “Yogurtini” system. The principal business address of those two entities was at that time, 725 S. Rural Road, Suite 120, Tempe, Arizona 85281. Immediately after U-Swirl, Inc. acquired the Aspen Leaf Assets and the ownership of Ulysses, it transferred those assets and those ownership interests to USI. Ulysses was merged into USI in February 2013.

On January 16, 2014, U-Swirl, Inc. entered into a Loan and Security Agreement (“**Loan Agreement**”) with RMCF in which U-Swirl, Inc. pledged a security interest in all of its assets as collateral for the loan. The loan matured in January 2016 and on February 29, 2016, RMCF foreclosed on its security interest because U-Swirl, Inc. failed to cure its defaults under the Loan Agreement.

On January 17, 2014, U-Swirl, Inc. acquired the assets of the CherryBerry Self-Serve Yogurt Bar system (the “**CherryBerry System**”) from CherryBerry Enterprises LLC, CherryBerry Corporate LLC,

and CherryBerry LLC (collectively, the “**CherryBerry Companies**”). On that same date U-Swirl, Inc. also acquired from the CherryBerry Companies the assets of one CherryBerry System store (a “**CherryBerry Store**”) and a company headquarters location. The assets referred to in this paragraph are referred to collectively below as the “**CherryBerry Assets.**” On the date of the acquisition, the principal business address of the CherryBerry Companies was 4605 West Kenosha Street, Broken Arrow, Oklahoma 71012.

Also on January 17, 2014, U-Swirl, Inc. acquired the assets of the “Yogli Mogli” frozen yogurt franchise and transferred the ownership of the CherryBerry assets and the ownership of the Yogli Mogli assets to USI. On February 19, 2014, U-Swirl Inc. acquired the assets of the “Fuzzy Peach” frozen yogurt franchise system (the “**Fuzzy Peach System**”) and transferred the ownership of the assets of the Fuzzy Peach System to USI. On April 29, 2015, U-Swirl Inc. acquired the assets of the “Let’s Yo!” frozen yogurt franchise system (the “**Let’s Yo! System**”) and transferred the ownership of the assets of the Let’s Yo! System to USI.

U-Swirl, Inc. was the parent company of USI until February 29, 2016. In January 2016, U-Swirl, Inc. defaulted on its loan from RMCF. As a result of the default, RMCF issued a demand for payment of all obligations under the loan agreement with U-Swirl, Inc. U-Swirl, Inc. was unable to repay the obligations under the loan agreement and, as of February 29, 2016, RMCF foreclosed on all of the outstanding stock of USI in full satisfaction of the amounts owed under the loan agreement. The foreclosure resulted in USI becoming a wholly-owned subsidiary of RMCF as of February 29, 2016.

RMCF’s parent company is Rocky Mountain Chocolate Factory, Inc., a Delaware corporation (“**Parent**”), following a reorganization on March 1, 2015, to create a holding company structure. Parent guarantees our performance. Parent does not offer franchises in any line of business or operate a business of any kind; it is a holding company and shares its principal business address with USI.

Franchises Offered

Through this Disclosure Document, USI offers franchises (“**USI Store Franchises**”) for the right to operate self-service retail frozen yogurt stores under the marks U-SWIRL FROZEN YOGURT (“**U-Swirl Stores**”) or CHERRYBERRY (“**CherryBerry Stores**”) or YOGURTINI (“**Yogurtini Stores**”) or ASPEN LEAF YOGURT (“**Aspen Leaf Stores**”) or YOGLI MOGLI (“**Yogli Mogli Stores**”) or FUZZY PEACH (“**Fuzzy Peach Stores**”) or LET’S YO! (“**Let’s Yo! Stores**”). We are offering franchises for new U-Swirl Stores, new CherryBerry Stores and new Yogurtini Stores through this Disclosure Document, and we are only offering renewals and transfers of franchises for the other brands. U-Swirl Stores, CherryBerry Stores, Yogurtini Stores, Aspen Leaf Stores, Yogli Mogli Stores, Fuzzy Peach Stores and Let’s Yo! Stores may be referred to below as “**USI Stores**” or “**Stores**” when reference is made to any or all of these Stores. A copy of the USI Franchise Agreement is attached to this Disclosure Document as Exhibit B.

USI Stores typically offer 10-16 flavors of self-service yogurt with customers filling containers with as much of one or more flavors as desired, selecting from over 20 toppings, and then paying by the ounce for the yogurt and toppings. USI Stores typically have indoor seating. USI Stores may also include the sale of beverages and other frozen dessert products. The specifications of a typical USI Store may change over time.

U-Swirl Stores may be referred to together as the “**U-Swirl System,**” and the owners of those franchises may be referred to as “**U-Swirl Franchisees**” in this Disclosure Document.

USI Stores are characterized by a distinctive interior design, trade dress, décor, and color scheme; uniform methods of operation and equipment specifications; procedures for quality control; training and ongoing assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by USI from time to time (collectively, the “**System**”).

The System is identified by certain trademarks, service marks, logos, and other commercial symbols, including the mark U-SWIRL FROZEN YOGURT or CHERRYBERRY or YOGURTINI or YONGLI MOGLI or ASPEN LEAF or LET’S YO! or FUZZY PEACH for USI Stores (collectively, the “**Proprietary Marks**”).

If you desire to purchase a single USI Store Franchise, you may request that it be for a store branded as U-SWIRL FROZEN YOGURT or CHERRYBERRY or YOGURTINI or YONGLI MOGLI or ASPEN LEAF or LET’S YO! or FUZZY PEACH. Each system has a unique trade dress and USI may agree to grant you a franchise for that system, or only allow you to purchase a franchise for one of the other systems.

USI may offer you the opportunity to develop a new co-branded USI Store, or to convert an existing USI Store to a co-branded Store. A “**Co-Branded Store**” integrates in one location two concepts by offering U-Swirl Frozen Yogurt products or CherryBerry or Yogurtini products, and specific products offered in a Rocky Mountain Chocolate Factory store as designated by RMCF. If USI offers you the opportunity to develop a Co-Branded USI Store, or to convert your existing USI Store to a Co-Branded Store, it will provide you with the Disclosure Document for Rocky Mountain Chocolate Factory Stores. A copy of the USI RMCF Co-Brand Amendment to Franchise Agreement is attached to this Disclosure Document as Exhibit B-1.

Market and Competition

The general market for frozen yogurt and related products you will offer is highly competitive. Your customers may be consumers of all ages and across all economic levels. Sales of your products are seasonal in areas with four distinct seasons. If your area has a distinct winter season, you can expect that sales will be significantly lower from late fall through early spring. Sales of your products might not be seasonal in areas that have less defined seasons. You will have substantial competition, from businesses that specialize in yogurt and other frozen dessert food items, and from restaurants that offer a more diverse menu that includes yogurt and ice cream. Your competitors will include single and small chain businesses, and large regional and national chains. Your business will, however, differ from some of your competitors because of its self-service yogurt sales.

Applicable Laws and Regulations

In addition to the laws and regulations that apply to businesses generally, USI Stores are subject to federal, state, and local health codes; specific Occupational Safety and Health Act regulations; specific Americans’ With Disabilities Act requirements; specific minimum wage and age requirements; and federal, state, and local codes related to construction, facilities, and equipment. It will be your responsibility to become knowledgeable of, and comply with, all these laws and regulations in addition to all employment, workers compensation, insurance, corporate, taxing, and licensing laws and regulations. Also, the U. S. Department of Agriculture has specific standards for yogurt. While you will be required to purchase yogurt only from a supplier approved by us, whose yogurt meets those standards, you should become familiar with those standards.

Prior Business Experience

USI began offering franchises for U-Swirl Stores in 2008, and USI began offering Aspen Leaf and Yogurtini franchises in 2013. As of the date of this Disclosure Document, other than in the U-Swirl, CherryBerry and Yogurtini systems, USI has not offered franchises in any other line of business.

AL began offering retail yogurt store franchises in November 2010, it had sold 12 Aspen Leaf franchises as of January 14, 2013, and it has not offered franchises in any other line of business.

To USI's knowledge, YHI, Inc. began offering Yogurtini retail yogurt store franchises in October 2009, it had sold 32 Yogurtini franchises as of January 14, 2013, and it has not offered franchises in any other line of business.

RMCF began offering franchises for the operation of retail chocolate and candy stores in 1982. As of February 28, 2021, a total of 160 Rocky Mountain Chocolate Factory stores were operating in the United States. RMCF previously offered franchises for retail stores that featured moving characters, lights, music and imitation candy-making machines and which sold bulk candy under the mark "FUZZIWIG'S CANDY FACTORY" from June 1996 through May 1998. RMCF sold two Fuzziwig's Candy Factory franchises before RMCF sold the system in May 1998. Other than as described above, RMCF has not offered franchises in any other line of business.

To USI's knowledge, CherryBerry Enterprises LLC began offering CherryBerry Store franchises in August 2011, it had sold 119 CherryBerry Store franchises as of January 17, 2014, and neither it, nor any of the other CherryBerry Companies, has offered franchises in any other line of business.

To USI's knowledge, Yogli Mogli Franchise, LLC. began offering Yogli Mogli retail yogurt store franchises in October 2009, it had sold 26 Yogli Mogli franchises as of January 17, 2014, and it has not offered franchises in any other line of business.

To USI's knowledge, Let's Yo!, LLC. began offering Let's Yo! retail yogurt store franchises in 2013, it had sold 12 Let's Yo! franchises as of April 29, 2015, and it has not offered franchises in any other line of business.

To USI's knowledge, Fuzzy Peach Franchising, LLC. began offering Fuzzy Peach retail yogurt store franchises in 2012, it had sold 17 Fuzzy Peach franchises as of February 19, 2014, and it has not offered franchises in any other line of business.

USI has operated a U-Swirl Store of the type being franchised since March 2009. As of the date of this Disclosure Document, USI operates three U-Swirl Stores, which are located in the Las Vegas, Nevada metropolitan area, and no other Stores.

ITEM 2

BUSINESS EXPERIENCE

Director, President, Treasurer and Chief Executive Officer: Bryan Merryman

Since January 2013, Bryan Merryman has been a director of USI and U-Swirl Inc. He was appointed Chairman of the Board and Chief Executive Officer in October of 2014. In September 2021, he was appointed President and Treasurer of USI. Since February 2019, he has served as the President, Chief Executive Officer and Chief Financial Officer of RMCF. From February 2019 to July 2021, he also

served as Chairman of the Board of RMCF. Mr. Merryman joined RMCF in December 1997 as the Chief Financial Officer and was promoted to Chief Operating Officer in April 1999. He has served as a director on the RMCF Board of Directors since March 1999 and was elected Treasurer in January 2000. Since its inception in September 2010, he has been the Managing Member of AL.

Director and Senior Vice President/Franchise Development: Greg Pope

Greg Pope has been our Senior Vice President of Franchise Development since March 2016 and he has served as a director of USI since September 2021. He has also served as Senior Vice President of Franchise Development for RMCF since May 2004.

Senior Vice President/Sales and Marketing: Ed Dudley

Ed Dudley has been our Senior Vice President of Product Sales Development since March 2016. He joined RMCF in January 1997 as Vice President of Product Sales Development and in 2000, he was promoted to Senior Vice President of Sales and Marketing.

Vice President of Franchise Support/Training: Donna Coupe

Donna Coupe has been our Vice President of Franchise Support/Training since January 2014. She joined RMCF in June 2008 and currently serves RMCF as Vice President of Franchise Support and Training.

Director of Operations and Franchise Support: Fred Sabatini

Mr. Sabatini has been our Director of Operations and Franchise Support since January 2014. From August 2012 to January 2014, he was Director of Operations and Franchise Development for CherryBerry Enterprises LLC located in Tulsa, Oklahoma. From September 2010 to August 2012, he was a member/owner of Berry Chic-A-Lo, LLC, located in Tulsa, Oklahoma.

Vice President of Information Technology: Ryan McGrath

Ryan McGrath has served as Vice President of Information Technology since August 2017. He joined RMCF in October 2009 as a network and systems analyst, and was promoted to Director of Information Technology in the Fall of 2011.

Secretary: Tracy Wojcik

Tracy Wojcik was appointed as Secretary in October 2014. Since April 2011, she has served as Secretary for RMCF.

ITEM 3

LITIGATION

The following arbitration action was brought against CherryBerry Corporate LLC, which might or might not be deemed a predecessor of ours.

1. Beautiful Brands International, LLC v. CherryBerry Corporate, LLC. On August 22, 2013, Beautiful Brands International, LLC (“**BBI**”) sent to CherryBerry Corporate LLC (“**CherryBerry Corporate**”) a demand for arbitration related to an agreement between the parties in which BBI was to provide franchise development services on behalf of CherryBerry Corporate (the “**Franchise Development Agreement**”). The demand for arbitration was for private arbitration, in accordance with an agreement to arbitrate between the parties. BBI claimed that CherryBerry Corporate breached the Franchise Development Agreement by failing to fully perform its obligations under that agreement. BBI claimed that its damages exceeded \$5 million. BBI sought recovery of its damages, plus attorneys’ fees, costs, and interest. CherryBerry Corporate sent BBI an Answer and Counterclaim in which it denied that it breached the Franchise Development Agreement, and it asserted the following defenses, among others: BBI breached the Franchise Development Agreement by failing to perform its obligations under that agreement, and as such, CherryBerry Corporate was entitled to repudiate the Franchise Development Agreement; and any damages alleged by BBI in its Demand for Arbitration were proximately caused, in whole or in part, by BBI. CherryBerry Corporate asserted in its Counterclaim that BBI, through the reckless conduct of its representatives and agents, breached its fiduciary duty to CherryBerry Corporate; BBI’s conduct materially damaged the reputation of CherryBerry Corporate and impaired the goodwill of CherryBerry Corporate; BBI’s actions frustrated the purpose of the Franchise Development Agreement and eliminated a market for CherryBerry System franchise sales; the material breach by BBI permitted CherryBerry Corporate to repudiate the Franchise Development Agreement and recover damages from BBI in excess of \$75,000. On March 13, 2015, BBI was awarded \$946,766 in unpaid royalties and commissions against CherryBerry Corporate, plus \$187,658 in attorney fees and costs. The arbitrator found that CherryBerry Corporate failed to perform and breached the Franchise Development Agreement, that BBI did not breach the agreement, and no fiduciary relationship existed between the parties. On May 20, 2015, the companion lawsuit filed by BBI against Dallas Jones and Robyn Jones in the District Court of Tulsa County, Oklahoma, Case No. CJ-2014-4649, was dismissed with prejudice.

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

3. Ferncroft Abernathy, LLC and Piedmont Property Acquisitions, LLC v U-Swirl International, Inc. (Civ.A.No. 16DD000073) Fulton Cty. State Ct., Georgia. On June 3, 2016, plaintiffs Ferncroft Abernathy, LLC and Piedmont Property Acquisitions, LLC brought a dispossessory action against USI in their capacity as landlords with respect to a commercial space located in Atlanta, Georgia and leased by USI, but operated by a franchisee. Plaintiffs alleged that USI failed to properly assign the

lease to the occupant. USI paid \$4,500 to plaintiffs and this case was dismissed without prejudice on July 25, 2016.

4. DJRJ, LLC, DJRJ Corporate, LLC, DJRJ Enterprises, LLC v. U-Swirl, Inc. and Rocky Mountain Chocolate Factory, Inc., U.S. Dist. Ct. (N.D. Okla.) Civil Case No. 16-CV-00021-GKF-FHM. On January 13, 2016, DJRJ, LLC, DJRJ Corporate, LLC and DJRJ Enterprises filed their previously dismissed counterclaims (which had been asserted in U-Swirl Inc. and U-Swirl International, Inc. v. CherryBerry Enterprises, LLC, CherryBerry Corporate, LLC, CherryBerry LLC, Dallas Jones, Robyn Jones, Ulderico Conte and other unknown individuals, Dist. Ct., La Plata County, Colo., Case No. 2015CV030137, and removed to the United States District Court for the District of Colorado at Case No. 2015 CV 30137) against U-Swirl, Inc. and Rocky Mountain Chocolate Factory, Inc., a Delaware corporation. Plaintiffs amended their complaint and asserted claims for breach of contract against U-Swirl, Inc. and alter ego liability and a request for declaratory judgment of debt recharacterization against Rocky Mountain Chocolate Factory, Inc., a Colorado corporation (retracting their claims against Rocky Mountain Chocolate Factory, Inc., a Delaware corporation). Plaintiffs are the principals of CherryBerry companies who sold these companies to U-Swirl, Inc. As part of the consideration for the CherryBerry acquisition, U-Swirl, Inc. agreed to issue stock to the Plaintiffs, subject to certain lock-up provisions and other terms. Following the lock-up period, the purchase agreement provided that the Plaintiffs would be permitted to sell the shares in accordance with certain limitations on amounts sold in a given period of time. The purchase agreement also provided that should the price of the shares drop below \$0.50 per share, U-Swirl, Inc. would pay the Plaintiffs the shortfall amount. Plaintiffs claim that U-Swirl, Inc. failed to pay the shortfall amount and breached the asset purchase agreement, alleging the shortfall payment after acceleration would be approximately \$1,945,487 plus interest and attorney's fees. U-Swirl, Inc., in turn, made counterclaims against the Plaintiffs wherein it alleged that the defendants sold a substantial number of shares of the stock of U-Swirl, Inc. on the open market with the intention of manipulating the price of the stock to the detriment of U-Swirl Inc., USI, and other U-Swirl, Inc. shareholders. U-Swirl, Inc. alleges breach of the asset purchase agreement, breach of fiduciary duty and engaging in a civil conspiracy, and asks the Court to determine the amount of damages to which U-Swirl is entitled, together with costs, interest and attorneys' fees. On July 11, 2017, the court granted motions for summary judgment in favor of both defendants. On September 26, 2017, the court granted a motion to dismiss U-Swirl, Inc.'s counterclaims and third-party claims against the plaintiffs, ending the case.

5. Brokish Holdings, LLC and William Brokish v. U-Swirl International, Inc. and Rocky Mountain Chocolate Factory, Inc., Case 01-18-0001-4152 American Arbitration Association. On April 16, 2018, Brokish Holdings LLC and William Brokish ("**Claimants**") filed arbitration claims against USI and RMCF alleging franchise disclosure violations, fraudulent misrepresentation and breach of contract arising out of a franchise agreement and development agreement signed with USI in 2013. Claimants sought damages in the amount of \$999,999.99 for violation of the Texas and Nevada Trade Practices Acts, fines provided by statute, costs and attorneys' fees, refund of all monies paid, punitive and exemplary damages, treble damages, and nullification of all agreements and guarantees between the parties. USI and RMCF filed affirmative defenses and counter-claims alleging that Claimants breached the development agreement and the franchise agreement. In December 2018, all of the parties agreed to settle and USI paid \$55,000 to Claimants in exchange for dismissing the claims.

6. SUP I Smith's Shopping Center, LLC v. U-Swirl Int'l, Inc., Case no. A-19-790626-C, Dist. Ct., Clark County, NV. On March 6, 2019, SUP I Smith's Shopping Center, LLC ("**Landlord**") filed a complaint against USI alleging damages of \$19,080 for unpaid rent plus interest, attorneys' fees and costs. The parties agreed to settle the case in April 2019 under the terms of a Lease Termination and Settlement Agreement whereby USI paid \$43,000 to Landlord and Landlord terminated the lease and dismissed the lawsuit.

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

ITEM 4

BANKRUPTCY

In Re T.D. Wojcik, Case No. 12-11367-SBB, U.S. Bankr. Ct. (D. Colo.). On April 30, 2012, our Secretary, Ms. Wojcik, was granted a discharge under Chapter 7 of the U.S. Bankruptcy Code, for obligations related to a divorce.

Other than the one bankruptcy action disclosed above, no bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

If you meet our criteria for new franchisees, we will offer you a franchise for a single USI Store (referred to below as a “**Unit Franchise**”).

If you purchase a USI Store, you must pay a non-refundable, lump sum initial franchise fee of \$25,000 when you sign the Franchise Agreement. We are offering a \$10,000 discount from the initial franchise fee for franchisees who are in good standing and wish to open an additional Store, and for qualified veterans. In addition, we are offering a first franchise for an initial fee of only \$5,000 to our employees and to college students at schools that participate in our University Program. Individuals who are affiliated with us may also pay reduced initial fees. We do not give refunds of these amounts, once paid, under any circumstances. We offer no financing for the initial franchise fee. See Item 10.

If you purchase a Co-Branded Store, you must pay a non-refundable lump sum initial franchise fee of \$25,000 plus a co-branding fee of \$6,000 for a total of \$31,000 when you sign the Franchise Agreement.

During our most recent fiscal year, all franchisees paid the same initial fees. All franchisees currently acquiring a franchise pay the same initial fees.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	6% of Net Sales	Payable on Wednesday of each week based on the prior week's Net Sales	“Net Sales” includes all revenues from the franchised business, including sales made away from the USI Store, less taxes, discounts, and refunds. Royalties are paid by electronic funds transfer.
Advertising Fund ¹	1% of Net Sales, reduced by any amount allocated to a Regional Advertising Co-op.	Payable with the Royalty Fee payment	

Type of Fee	Amount	Due Date	Remarks
Cooperative Advertising ²	3% of Net Sales, reduced by Advertising Fund Fee, if any, and Local Advertising Allocation.	Monthly as billed	See Note 3.
Local Advertising Allocation ²	1% of Net Sales, reduced by any amounts reallocated to Regional Advertising Co-op ⁴	As incurred	This local advertising allocation is in addition to the other advertising fees, as specified above, but this amount is used by you for advertising your USI Store. ⁵
Mandatory Meetings and Additional Mandatory Training ²	\$350 - \$1,500, plus program fee ^{6,7}	As incurred	No more than one mandatory meeting/ training program will be scheduled each year. No attendance fee is charged by USI, but you pay the cost of travel, lodging and meals.
Optional Training ^{1,2}	\$350 - \$1,500, plus attendance fee ⁷	Attendance fee, if any, due when specified by USI. Other costs due as incurred.	USI may, but is not required to, offer optional training programs that you may attend. USI may charge an attendance fee, and you pay the cost of travel, lodging and meals.
Transfer Fee ¹	\$10,000 ^{8,9}	Upon approval of the transferee's Franchise Application	Payable when the transferee is approved to own a USI Store. The transferee is not charged an initial franchise fee. The transferee pays all travel, food, and lodging expenses to attend training. No charge if you are an individual and you transfer to a business entity that you own.
Point of Sale ("POS") System Set Up and Annual Maintenance Agreement ²	Varies, depending on the supplier, but expected to be between \$5,000 and \$12,000 for initial set up with annual costs ranging between \$1,000 and \$2,000 per year.	Varies, as specified by the supplier	You must purchase a POS System that meets our standards and specifications and maintain it.
Merchant Services Fee ²	The effective rate may range from 2.5% to 5.5% of each transaction, depending on usage.	As incurred	This fee is deducted from the amount you receive after accepting a credit card.

Type of Fee	Amount	Due Date	Remarks
Gift Card Services Fee ²	We estimate between \$15 - \$35 per month for gift card servicing. If your POS System is not capable of processing our gift cards, you must acquire a card reader that is compatible with Worldpay processing systems. As of the date of this Disclosure Document, a compatible Worldpay card reader is available for \$19.95 per month plus \$120 for a minimum of 500 (1 bundle) of gift cards.	As incurred	We reserve the right to require all Stores to pay additional fees and purchase equipment related to the Gift Card Program on 30 days' notice. See Item 8 and 11.
Renewal Fee ¹	\$5,000	When you sign the then-current Franchise Agreement	Payable if you opt for and qualify for a successor franchise at the end of the initial term or a renewal term.
Extension Fee ¹	\$200 per month up to a maximum of 12 months.	As incurred	Payable only if you wish to renew the term of your Franchise Agreement and are in negotiations with a landlord and you do not want to make upgrades to the Store premises before renewing the lease. We will permit only one extension of the term of a Franchise Agreement under these circumstances.
Inspection/Audit ¹	Cost of audit or inspection and underpayment amount, plus interest.	Immediately upon billing	Payable only if an inspection or audit shows an understatement of Net Sales of at least 3%, if you do not submit required reports to us, or if you do not cooperate with us in the inspection or audit.
Interest and Late Charges ¹	\$25 late charge, plus the lesser of 1½ % per month, or highest rate of interest allowed by law. Also, any NSF or similar charge assessed by the financial institution. All charges subject to applicable state law.	Late charges automatically assessed but can be waived at our option; interest is payable on demand	Interest accrues on unpaid amount beginning the date after a payment is due.
Insurance ²	Varies depending on location and insurer.	Varies	USI has set minimum insurance coverages and amounts. If you do not pay your premiums, we can pay them for you and you must reimburse us.

Type of Fee	Amount	Due Date	Remarks
Indemnification ^{1,2}	Varies – You will pay the amount of the liability assessed against USI plus the expenses incurred in defending USI	Varies	You must reimburse USI for any costs incurred by it due to your or USI’s operation of the USI Store on your behalf.
Costs and Attorneys’ Fees ^{1,2}	Varies under circumstances.	As incurred	Payable if you fail to comply with the Franchise Agreement.

- (1) These fees are imposed by and payable to USI and are uniformly imposed (subject to changes based on franchises granted at different times under different forms of agreements). We reserve the right to modify these fees in certain circumstances, including in a Co-Branded Store, and under other circumstances. These fees are non-refundable.
- (2) These fees are payable to third parties that provide goods or services to you. These payments may be refundable in certain circumstances, depending on your agreement with the other parties.
- (3) If USI establishes a regional advertising cooperative for your area, you will be required to participate in the cooperative. Franchised outlets and company-owned outlets (if any) will each have one vote per outlet, one vote per owner, or votes based on the percentage of advertising fees paid by the outlet of the total advertising fees paid by all members of that Co-op (depending on the particular Co-op’s rules), on the fees (if any) imposed on its members in excess of the fee imposed under the Franchise Agreement, and other matters. Company-owned outlets (if any) will not have controlling voting power.
- (4) Your required advertising expenditures under the lease for your USI Store premises, if any, count toward this advertising requirement.
- (5) This amount is the minimum average which you must spend each month. USI may require you to submit to us on or before the 15th day after the end of each month a report of your expenditures during the prior month. If we establish a regional ad co-op that includes your Store, all or a portion of your local advertising allocation may be reallocated to the co-op.
- (6) USI estimates that the cost of travel, lodging and meals for each person attending the initial training program will range from \$1,000 to \$5,000. The actual cost for each person may be higher or lower depending upon the distance traveled, and the meals and lodging selected. We may conduct initial training remotely if we determine that it is in the best interests of the persons involved.
- (7) USI estimates that the cost per person for travel, lodging and meals to attend a one-day training program will range from \$350 to \$1,500 (plus the program fee, if applicable). The actual cost for each person may be higher or lower depending upon the distance traveled, the meals and lodging selected, and the length of the training program.
- (8) If the transferee is an existing USI Franchisee who has successfully completed the initial training program within the past five years, USI may waive the requirement that the transferee attend the initial training program. The Transfer Fee will not be waived.
- (9) If the transferee is a former USI Franchisee who has not owned a Store in more than five years, USI requires that the transferee successfully complete the initial training program before beginning operation of the Store. The Transfer Fee will not be waived.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$5,000 - \$25,000	Lump Sum	At signing of Franchise Agreement	USI
Real Estate and Improvements ^{2,3}	\$131,000 - \$166,000	As Incurred	Before Opening	Third Parties
Furniture, Fixtures and Equipment ^{2,4}	\$150,000 - \$170,000	Lump Sum	Before Opening	Suppliers
Travel and Living Expenses While Training ^{2,5}	\$1,000 - \$5,000	As Incurred	Before Opening	Suppliers
Signs ²	\$7,000 - \$12,000	Lump Sum	Before Opening	Suppliers
Opening Inventory ^{1,2,6}	\$5,000 - \$10,000	As Incurred	Before Opening	USI and Other Suppliers
Grand Opening ^{2,7}	\$5,000	As Incurred	Before Opening	Suppliers, media, direct mail providers
Additional Funds – Three Months ^{2,8}	\$35,000 - \$71,000	As Incurred	As Incurred	USI, employees, suppliers, utilities, etc.
TOTAL ESTIMATED INITIAL INVESTMENT^{9,10}	\$339,000 - \$464,000			

Note 1: Nonrefundable Fees. The initial franchise fee is nonrefundable.

Note 2: Refundable Fees. These fees are payable to third parties that provide goods or services to you. Some or all of these payments may be refundable in certain circumstances, depending on your agreement with those other parties.

Note 3: Real Estate and Improvements. You must purchase or lease retail space that meets our standards and specifications. The monthly rent and other terms of leases will vary, depending upon negotiations with the individual landlord and on property values. The square footage for a USI Store may range from approximately 1,400 square feet to 2,400 square feet. The minimum size for a USI Store is 1,400 square feet, but stores in malls, kiosks, or other unique locations may be smaller. Because your real estate expense depends so much upon your negotiations with the landlord and other local factors, USI does not estimate rental or land costs. Your costs to improve the franchised location will depend in part on whether your space is completely constructed or is the remodel of an existing space. It will also depend on the size of the space, the overall costs in the market, and the type of retail environment in which the Store is located. We assist you in determining which of our two different prototype Store configurations will suit your franchised location. You must hire an architect to design your Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees depend on the condition of the space, its location and local permitting requirements. If your Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant

improvements. If your Store is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 4: Furniture, Fixtures and Equipment. This includes the estimated costs to equip the Store with refrigerators, yogurt dispensers, toppings display cabinets, storage cabinets, furniture and a computerized point of sale system (“**POS System**”) that includes PC-based registers, cash drawers, thermal receipt printers, scales, credit card authorization software, credit card readers and laser bar code scanners. See Item 11 for more information on the POS System. All equipment used in your USI Store must be in conformance with USI’s specifications including the computer and POS System.

Note 5: Travel and Living Expenses While Training. Your expenses vary based on whether you have one, two or three persons attend the initial training program, the distance you must travel, and the standard of living you desire while you attend the program. The low amount is based on one person attending training. The high amount is based on three people attending training. We may conduct initial training remotely if we determine that it is in the best interests of the persons involved.

Note 6: Opening Inventory. The amount shown is an estimate of your costs for the initial inventory specified by us in the Operations Manual, including trademarked paper products, bowls, kitchen supplies, utensils, yogurt and toppings for yogurt.

Note 7: Grand Opening. You must spend at least \$5,000 on advertising and promotion in connection with the grand opening of your USI Store, according to our guidelines. This amount is in addition to the Local Advertising Allocation, if any.

Note 8: Additional Funds. The amount shown is an estimated amount for additional funds necessary for the first three months of your USI Store’s operations. It includes start-up capital, payroll costs for your employees, but it does not include any draw or salary for you; and it includes amounts incurred prior to opening and during the first three months of operation of your USI Store for sales and use taxes, other taxes, utilities, rent, equipment lease payments, royalties, advertising fees and local advertising. The estimated amount includes an initial supply of point of purchase materials, uniforms, security deposits, utility deposits, sales tax deposit, business entity filing fees (if applicable), legal and accounting fees incurred in establishing your business, and insurance premiums. The high amount includes an estimate of the Advertising Fund Fee payable during the first three months of operation of the store. The low amount does not include any Advertising Fund Fee payments. These figures are only estimates, and you may incur higher or lower expenses in starting the business. Your costs will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for the products you offer, the prevailing wage rate, competition, and the sales level reached during this initial period. You must expend these additional funds for each franchise you purchase.

Note 9: Total Estimated Initial Investment. USI relied on its principals’ over 38 years of cumulative experience in the food service industry to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. USI does not offer direct or indirect financing to franchisees. See Item 10 of this Disclosure Document. None of the costs in the chart above are refundable.

Note 10: Co-Branded Stores. If you qualify, you may be offered the opportunity to develop a Co-Branded Store that sells ROCKY MOUNTAIN CHOCOLATE FACTORY products and frozen yogurt in the same store. If you are offered this opportunity, you will also be disclosed with the RMCF Disclosure Document and asked to sign a Co-Brand Addendum to the USI Franchise Agreement, attached

as Exhibit B-1 to the Franchise Agreement. The estimated initial investment to add ROCKY MOUNTAIN CHOCOLATE FACTORY products to a USI Store ranges from \$50,000 to \$266,000, including an additional \$6,000 for the initial fee that must be paid to RMCF.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your USI Store in compliance with your Franchise Agreement and in compliance with the operations manual that we provide to you (the “**Operations Manual**”). The Operations Manual may be in the form of one or more manuals, bulletins, and other written materials that may be provided to you in electronic form, in our discretion.

Ingredients and Supplies. All goods sold by you must be purchased from USI’s approved suppliers that have met USI’s specifications and standards. You must purchase the following goods and services from designated or approved suppliers: trademarked paper products, utensils, yogurt, toppings for yogurt, merchant services (credit card processing), and gift card services (gift card processing). In addition to other specifications and standards for yogurt established by USI, yogurt sold by you must meet the criteria established by the National Yogurt Association for live and active culture yogurt.

Equipment and POS System. You must purchase or lease equipment and furnishings used in your Store from suppliers designated or approved by USI. You must purchase a POS System with accompanying software that is compatible with our systems and allows for electronic communications with USI. We have approved suppliers of POS Systems, and you must purchase the POS System from one of them.

As of the date of this Disclosure Document, you must purchase all paper products containing our Proprietary Marks from approved suppliers. We reserve the right to be the sole supplier for any items you are required to purchase.

As of the date of this Disclosure Document, USI is not the sole approved supplier of any product or service you use in your USI Store. Officers of USI do not own an interest in any supplier.

USI may negotiate prices or other purchasing arrangements with the approved suppliers for the benefit of the franchisees. As of the date of this Disclosure Document, USI has not established any purchasing or distribution cooperatives, although it may do so in the future. USI does not provide any material benefit to franchisees for use of approved suppliers. You may contract directly with any supplier that has been approved by USI.

If you desire to have a non-approved supplier become an approved supplier, you must submit samples of the supplier’s products or services to USI, along with a written statement describing why the products or services and the supplier should be approved for use in the System. USI will issue to the prospective supplier the standards and specifications applicable to the products or services that you want to be approved, except that if those standards and specifications include any trade secrets or other confidential information of USI, the prospective supplier must first sign a confidentiality agreement in a form provided by USI. USI will provide the proposed supplier and you with a written notice of approval or rejection within 30 days. As of the date of this Disclosure Document, USI does not assess a fee for approval of suppliers, but it may do so in the future. USI approves suppliers based on the supplier’s ability to provide products or services that: (1) meet our standards and specifications, (2) are of high consistent quality, (3) are sold by the supplier at a competitive price; and (4) can be delivered to franchisees on a timely basis. In making our decision whether to approve a supplier, USI may also

evaluate the supplier based on its financial records, business reputation, delivery performance, credit rating and other information. USI has the right to re-inspect any approved supplier and revoke its approved status (by written notice to the supplier and to you) if an approved supplier fails to meet USI's standards for quality of products or services, delivery, performance, competitive pricing, or other material criteria.

Some suppliers give us discounts, rebates, or other types of remuneration based on purchases by USI franchisees. During USI's most recent fiscal year, suppliers of the following products and services have paid rebates: Yogurt, cups and payment processing. USI, in its sole determination, may contribute these amounts to: (a) the Advertising Fund for the U-Swirl System, as applicable (see Item 11 below for more information about these separate funds); (b) franchisees; or (c) USI, and in that situation, USI may use these amounts for any purpose, in USI's sole determination. During the fiscal year that ended February 28, 2021, USI received payments of \$147,643 from suppliers based on franchisee purchases. USI recognized \$104,622 of revenue from these receipts representing 6.1% of USI's total revenues of \$1,717,524 in fiscal year 2021.

You must establish and maintain high-speed Internet access from a service provider meeting our specifications.

If you purchase a USI Franchise, we estimate that your purchases from designated or approved suppliers, and according to our standards and specifications will range 83% to 89% of your total costs in establishing your franchise business, and approximately 47% of your costs in operating your U-Swirl Store.

You must maintain certain types and amounts of insurance coverage described in the Operations Manual and in the Franchise Agreement. These types of insurance include comprehensive general liability, products liability, fire, personal injury, death, property damage, unemployment and workers' compensation coverage and must not be for less than \$2,000,000 per occurrence/aggregate. All insurance policies must name us as an additional insured and give us at least 30 days prior written notice of termination, amendment or cancellation. You must provide us with certificates of insurance evidencing your insurance coverage before the opening of your USI Store. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request from time to time. We reserve the right to require you to change the type of insurance you are required to maintain and upon prior reasonable notice, we may revise the required coverage limits.

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	Disclosure Document Item
(a) Site selection and acquisition/Lease	Section 2.1	Item 7
(b) Pre-opening purchases/Leases	Sections 2.6 and 2.7	Item 7
(c) Site development and other pre-opening requirements	Sections 2.2 and 2.4	Items 5, 7 and 11
(d) Initial and ongoing training	Section 2.9	Item 11

Obligation	Section in Franchise Agreement	Disclosure Document Item
(e) Opening	Sections 2.5 and 2.9	Item 11
(f) Fees	Sections 1.2, 1.3, 1.6, and 2.4	Items 5, 6 and 7
(g) Compliance with standards and procedures and policies/Operations Manual	Sections 2.8 and 2.11	Items 8, 11 and 14
(h) Trademarks and proprietary information	Sections 1.4, 1.5 and 2.10	Items 13 and 14
(i) Restrictions on products/services offered	Sections 2.3 and 2.6	Items 8 and 16
(j) Warranty and customer service requirements	Not applicable	Item 16
(k) Territorial development and sales quotas	Not applicable	Item 12
(l) Ongoing product/service purchases	Sections 2.6 and 2.7	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 1.3, 2.2, and 3.3	Item 11
(n) Insurance	Section 4.2	Items 6 and 8
(o) Advertising	Section 2.12	Items 6, 7 and 11
(p) Indemnification	Section 4.1	Item 6
(q) Owner's participation/management/staffing	Section 2.11	Item 15
(r) Records and reports	Section 2.14	Item 6
(s) Inspections and audits	Sections 2.13 and 2.14	Item 6
(t) Transfer	Sections 3.1 to 3.4	Item 17
(u) Renewal	Section 1.3	Item 17
(v) Post-termination obligations	Section 5.9	Item 17
(w) Non-competition covenants	Section 2.10	Item 17
(x) Dispute Resolution	Sections 6.3 and 6.4	Item 17

ITEM 10

FINANCING

USI does not offer direct or indirect financing to franchisees. USI does not guarantee your lease or other obligations.

ITEM 11

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

Pre-Opening Assistance for USI Stores

Before you open your Store, we (or our designee), will:

1. Provide site selection assistance to you in the form of our Site Selection Approval Program & Guidelines, and you will use the guidelines to select a site for your USI Store. We will review the information you provide to us about the site you selected. The factors that we will consider when evaluating a site include population density, zoning, the character of the neighborhood, traffic patterns, and accessibility. Both you and USI must agree in writing on the site selected for your USI Store. No time period exists in which we must approve or disapprove of a site selected by you. Because we have the right to terminate the Franchise Agreement if you do not successfully complete the initial training program, you should not enter into any binding agreements for real estate until you successfully complete the initial training program.

2. Review your proposed lease. We may provide you with changes that are required for us to approve the lease or that we suggest you try to negotiate with the landlord to make the lease more reasonable for you and your business. We will not, however, negotiate the lease on your behalf. We must approve the final version of the lease (Section 2.1, Franchise Agreement).

3. Provide specifications to you for construction or remodeling of your USI Store premises, and provide plans for prototype designs (if USI has such plans available). You must pay the cost for your local architect's or structural engineer's stamp on the plans, typically \$4,000 to \$7,000. We must approve of your plan before construction begins. Your construction must comply with USI's standards and specifications and with all applicable laws, regulations, and ordinances (Section 2.2, Franchise Agreement).

4. Provide assistance to you in selecting suppliers of equipment, furniture, fixtures, supplies and food products (Sections 2.6 and 2.7, Franchise Agreement).

5. Provide you with a copy of the Operations Manual, which contains mandatory and suggested specifications, standards, and procedures. The Operations Manual includes confidential information and you must maintain the confidentiality of it. We may modify the Operations Manual in our discretion (Section 2.8, Franchise Agreement). The Operations Manual contains a total of 204 pages. The Table of Contents of the Operations Manual appears in Exhibit D to this Disclosure Document.

6. Provide an initial training program for up to two people. The initial training program consists of four days of training, including classroom instruction and on-the-job training. We may elect to hold training via webinar or other remote transmission, in our sole discretion. The classroom portion will be conducted in North Las Vegas, Nevada, or via webinar or other remote transmission if circumstances warrant, in our sole discretion. You are responsible for paying the travel, lodging, wages, and other expenses of the attendees (Section 2.9, Franchise Agreement).

Continuing Assistance With Your USI Store

During the operation of your Store, we will:

1. Provide opening assistance. Except as specified below, USI will furnish to you, at USI's expense, two representatives for up to three days to assist in establishing local procedures for your USI Store. This assistance is furnished at your USI Store immediately before and during the initial opening of the Store. (Section 2.9, Franchise Agreement).

2. On your reasonable request, consult with you by telephone or electronic mail concerning the management, operation, and marketing of your USI Store (Section 2.17, Franchise Agreement).

3. In our discretion, inspect your USI Store, and inform you of any areas in which your Store is not in compliance with our standards and specifications or other required policies and procedures. Our representative may also advise you concerning the management, operation, and marketing of your USI Store (Section 2.13, Franchise Agreement).

4. In our discretion, upon your reasonable request, send one or more USI representatives to your USI Store (other than as part of a scheduled inspection) to view your operations and provide advice concerning the management, operation, and marketing of your USI Store (Section 2.13, Franchise Agreement).

5. Make available to you the advertising and promotional materials or other marketing information that we may periodically develop, if any. We pass the cost of these materials on to you by charging you for the use of the materials (Section 2.12, Franchise Agreement).

6. Establish an advertising program for all brands in the U-Swirl System (Section 2.12, Franchise Agreement). As of the date of this Disclosure Document, USI has established an Advertising Fund for all brands in the U-Swirl System into which we may deposit rebates from certain suppliers of products to USI franchisees.

7. Make our initial training program available to your new managers during the term of your Franchise Agreement, when space is available in a regularly scheduled program. The training is provided at our then-current tuition rate. You are responsible for paying the travel, lodging, and other expenses of attendees (Section 2.9, Franchise Agreement).

8. Although not obligated to do so, we may provide you with on-going updates of information and ideas regarding the System, the products sold in USI Stores, and the operation of USI Stores. (Section 2.11 Franchise Agreement).

9. Authorize you to offer for sale in your USI Store new products that we develop from time to time, if any; and provide to you related product information. USI is not obligated to develop any new products, but it may do so in its discretion (Section 2.6, Franchise Agreement).

10. At our option, although we are not obligated to do so, schedule mandatory meetings or additional mandatory training programs for franchisees, but no attendance fee will be charged by USI. No more than one mandatory meeting or training program will be scheduled each year. If a meeting or training program is scheduled, you will be required to attend the meeting or program and you will be responsible for your own travel, lodging, meals, and other expenses incurred in attending the meeting or training program We may offer meetings and trainings by webinar or other remote transmission in our discretion. (Section 2.9, Franchise Agreement).

11. At our option, although we are not obligated to do so, we may provide to you at our office in Durango, Colorado (or other training centers established in various cities in the United States, if any) optional meetings or additional training programs related to the System. All travel and lodging, meals, and other expenses incurred in attending the meeting or training program must be paid by you (Section 2.9, Franchise Agreement).

Advertising Fund

USI has established a national advertising fund for all brands in the U-Swirl System in the United States (referred to as the “**Advertising Fund**”). Certain suppliers pay rebates based on purchases of products by franchisees, and these rebates may be contributed to the Advertising Fund, at USI’s sole determination. If you purchase a franchise in the USI System, you must pay the Advertising Fund an amount each week equal to 1% of your Net Sales in the prior week. If applicable, the Advertising Fund Fee will be reduced by the amount we require you to contribute to a regional advertising cooperative (see discussion below).

USI may use fees from the Advertising Fund to place advertising in national, regional, or local media (which may include print or broadcast media). USI is not required to spend fees in the Advertising Fund in the area or specific territory where your USI Store is located. However, all Advertising Funds are spent to benefit USI Stores. Advertising Funds are used to promote the Proprietary Marks, the System, and the goods sold by the Stores. Advertising Funds are not used to sell or solicit additional franchises, although the advertising may indicate that franchises are available, and include a USI phone number, website address, or e-mail address for interested persons to contact USI.

Neither USI nor its affiliates will receive payments from the Advertising Fund, except USI will be entitled to reimbursement for administrative costs, salaries, and overhead expenses incurred in or related to the implementation and administration of the Advertising Fund and its programs. The Advertising Fund is administered by USI’s accounting and marketing personnel or its contractors.

Fees collected by the Advertising Fund will be kept in a separate account, apart from USI’s operating funds, except for the reimbursement of USI costs, salaries, and expenses paid by the Advertising Fund to USI, as mentioned above. Advertising Funds not spent in the fiscal year in which they accrue will be carried over into the following year.

In the fiscal year that ended February 28, 2021, USI spent 42% of the Advertising Fund for the U-Swirl System, including all brands, on production, 2% on media placement, and 56% on administrative expenses.

The Advertising Fund will provide advertising materials or services to you. Materials provided by the Advertising Fund to franchisees may include CDs and DVDs, maps, posters, banners, miscellaneous point-of-sale items, and other products and services deemed appropriate by USI.

Upon written request by you, USI will provide to you, no later than 90 days after the end of our fiscal year, an annual unaudited accounting statement of the Advertising Fund for the prior fiscal year.

Subject to variations in percentage rates or flat rates resulting from Franchise Agreements entered into by you and other franchisees at different times, (1) other USI franchisees using the same brand must also contribute to the Advertising Fund at the same rate as you, and (2) if any company-owned outlets are operated by USI they will contribute to the Advertising Fund on the same basis as franchisees.

Regional Advertising Cooperatives

As of the date of this Disclosure Document, USI has not established any regional advertising cooperatives for the System (“**Co-ops**”), but USI may do so in the future.

Co-ops may be defined by Neilson DMA or other groupings of USI franchises that we determine are appropriate. If your Store is located in a Co-op area, you will be required to participate in the Co-op. If you are required to participate in a Co-op, you will pay to the Co-op each month an amount equal to up to 3% of your Net Sales during the prior month. You will not be required to pay or spend a total amount equal to more than 3% of your Net Sales, or \$150.00 per month (as applicable) on advertising; so all or part of your Advertising Fund Fee will be paid to the Co-op as directed by USI. In addition, all or part of your local advertising allocation (if applicable and as discussed below), will be eliminated.

If Co-ops are established, USI expects that each Co-op will elect a chairperson and a vice-chairperson. Franchised outlets and company-owned outlets (if any) will each have one vote per outlet, one vote per owner, or votes based on the percentage of advertising fees paid by the outlet of the total advertising fees paid by all members of that Co-op (depending on the particular Co-op’s rules), on the fees (if any) imposed on its members in excess of the fee imposed under the Franchise Agreement, and other matters. The Co-ops will have written rules of conduct, which Co-op members may review. The Co-ops’ financial information will be included in the Advertising Fund accounting statements. USI can form, change, dissolve, or merge Co-ops.

You must participate in all Advertising Fund promotions, promotions of a Co-op of which you are a member, and any promotions created by USI outside of the Advertising Fund or Co-ops.

Local Advertising

The following local advertising requirements apply to you:

1. You must spend each month an amount not less than 1% of your Net Sales from the preceding month on local advertising. This amount will be reduced proportionately, but not to 0%, by any amount that we require you to contribute to a Co-op.
2. You must spend at least \$5,000 on grand opening advertising, according to guidelines in the Operations Manual. This amount is in addition to your local advertising requirement.
3. We may require you to submit to us, within 15 days after the end of each month, proof of your local advertising expenditures during the prior month.

You may create your own advertising and promotion material or have it created for you. You must obtain our approval of all advertising and promotional materials prior to their use. If we do not notify you of the approval or rejection of any advertising or promotional materials within 15 days after we receive them, they are deemed approved. You must, however, discontinue use of any advertising or promotional materials upon notice from USI.

USI customarily employs in-house creative personnel or contracts with design firms or advertising agencies to develop advertising, promotional and marketing materials, websites, and retail packaging. If you wish to create your own advertising, promotional and marketing materials you are free to do so. However, we prefer that you first check our online marketing materials creation tool, GraphicsMaker, for a customizable, branded solution. Alternatively, you may contact your designated USI representative for assistance. If you choose to create such materials yourself, or contract with an

independent graphic artist, publisher, design firm or advertising agency, you must receive our written approval of all materials before you use them. Materials must conform to the brand standards which we specify, including fonts, design, layout, imagery, logo and trademarks. In the materials you create independently, you must state that your franchise is independently owned and operated, using language that we specify, and you must provide your local address and telephone number. If you fail to obtain written approval before displaying or publishing such materials, you may be required to remove, destroy or reprint the materials at your expense. This is to ensure professional quality and brand consistency in both message and content. You are not permitted to create your own independent website or conduct e-commerce. However, you are encouraged to create and actively participate in any of USI's social media programs, provided you do so in a professional manner. From time to time, USI may provide you with guidance and support, including promotional ideas, branding and images for such programs. Under no circumstances are you permitted to create your own retail packaging.

You must maintain at least one electronic mail address specifically for business use, including for communications between you and USI. Your electronic mail communications must comply with our standards. You must subscribe to a high-speed Internet service provider meeting our specifications. You must check your electronic mailbox every business day and read and promptly respond to messages from USI.

USI has the right to use, or to allow other franchisees of USI to use, any advertising or promotional materials created by you that are related to your franchised business or the System.

At your expense, you must have a dedicated business telephone line for your USI Store. At the time of the expiration or termination of the Franchise Agreement for any reason, your business telephone numbers may become the property of USI, at USI's sole option. If USI does not require transfer of these lines to USI, you cannot continue to use these lines, or indicate that you were previously affiliated with USI.

You must obtain and maintain, at your expense, a listing of your USI Store in one or more online telephone directories specified or approved by USI.

Franchise Advisory Council

As of the date of this Disclosure Document, USI has not established a Franchise Advisory Council for any brands, but it may do so in the future. USI expects that a Council, if established: (1) will advise USI on advertising programs or other issues of importance to the franchisees; and (2) will serve in an advisory capacity only, with no operational or decision-making power.

Electronic Cash Register System; Computer Equipment

You must use a computerized point of sale system (together with the software, referred to as "POS System") meeting our specifications from a designated or approved supplier. The POS System consists of PC-based registers, cash drawers, thermal receipt printers, credit card authorization software, credit card scanners, laser bar code scanners and scales. You must contract with an Internet service provider ("ISP") to facilitate communication between your POS System and our data collection server.

The POS System will be delivered to you already configured with proprietary software owned by a third-party supplier. A designated or approved supplier will provide all support, updates and maintenance for your POS System. As of the date of this Disclosure Document, the annual maintenance and support fee ranges from \$1,000 to \$2,000, depending on the maintenance options you select. You must subscribe to an annual maintenance and support service package from a designated or approved

supplier. We may require you to update your POS System. No contractual limit exists on the frequency or cost of this obligation.

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

In conjunction with the operation of your POS System, you must use a personal computer that is separate from the POS System to communicate with us by electronic mail and to support other back office functions. You must maintain an electronic mail account through which we can communicate with you. You will find it is more convenient to send and receive electronic mail messages and track information generated by the POS System on a personal computer. The personal computer must use software specified by us. You must purchase off-the-shelf bookkeeping software that we specify and use it to produce reports submitted to us periodically. We reserve the right to specify different software and to require updates and maintenance of the software. There is no contractual limit on the frequency or cost of this obligation.

The total initial cost of the POS System, a basic personal computer and specified software ranges from approximately \$5,000 to \$12,000 depending on options selected. Annual maintenance and support fees range from \$1,000 to \$2,000 depending on options selected.

Initial Training Program

At least one individual who will sign the Franchise Agreement or, if the Franchisee is an entity, the person designated by the entity to assume primary responsibility for the management of the USI Store, ("**General Manager**") is required to attend and successfully complete the initial training program before commencing operations of the USI Store. We offer and conduct the initial training program at one of our designated training facilities. We offer this training for up to two individuals free of charge, although you must pay travel, living expenses and wages for you and all employees who attend the training session. The initial training program consists of a total of four days of instruction and all training is currently conducted in North Las Vegas, Nevada. We may conduct all training via webinar or other remote transmission if circumstances warrant, in our sole discretion. You may be required to attend additional days of training if you purchase a USI Store that is branded with both a U-Swirl and ROCKY MOUNTAIN CHOCOLATE FACTORY brands, selling both yogurt and chocolate candies. The initial training program includes hands-on training in a retail store. If you fail to complete the training program to our satisfaction, we may terminate the Franchise Agreement. The initial franchise fee or transfer fee is non-refundable and will not be returned to you if we terminate the Franchise Agreement for your failure to complete the training program to our satisfaction.

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

As often as annually, we may require you or your General Manager to attend in person, at your expense, a national, regional or local meeting, training seminar or conference that we present for the purpose of discussing a topic such as advertising programs, new operations methods, training, management, sales, or sales promotion, to the extent that we offer any meetings, seminars or conferences.

We will notify you of any mandatory meeting 30 days in advance. These meetings vary in location and in length, but you will not be required to attend any meeting in person for more than three days annually. In addition, we may require you to attend webinars occasionally.

As of the date of this Disclosure Document, we give the following initial training to franchisees on an as-needed basis.

TRAINING PROGRAM

Subject ¹	Hours of Classroom Training ²	Hours of On-The-Job Training	Location
Introduction to U-Swirl	2	0	North Las Vegas, NV
Frozen Yogurt 101 & Food Safety	0.50	0	North Las Vegas, NV
Social Media	1	0	North Las Vegas, NV
Our Accounting Policies	0.25	0	North Las Vegas, NV
Financial Control (COG, P&L, Gross Margin)	1	0	North Las Vegas, NV
Introduction to Retail	1	0	North Las Vegas, NV
Machine Cleaning/Product Prep	0	8	North Las Vegas, NV
Topping Bar Prep & Rotation	0.50	1.5	North Las Vegas, NV
Day to Day Operations & Business Tools	1	0	North Las Vegas, NV
Inventory Control	0.50	0	North Las Vegas, NV
Human Resources	0.75	0	North Las Vegas, NV
Point of Sale	0	1	North Las Vegas, NV
Vendor Review	0.25	0	North Las Vegas, NV
Hiring and Employee Retention	1	0	North Las Vegas, NV
Marketing	1	0	North Las Vegas, NV
Hands on working the retail store	0	5.5	North Las Vegas, NV
TOTAL	10.75	16	

- (1) For each subject, we hold training classes as often as necessary. You must attend training after you sign the Franchise Agreement and before you open your Store. The primary instructors are Donna Coupe, our Vice President of Franchise Support since June 2008, Erika Lightburne, our Co-Brand Liaison since April 2011, Fred Sabatini, our Director of Franchise Support and Operations since June 2015, and Wendy Smith, our Franchise Field Consultant since March 2019. We may add training personnel as necessary.
- (2) If you wish, you may work in a company-owned Store at your expense to gain experience interacting directly with actual customers. If you live near a company-owned Store, you may spend up to three days in that Store, at your expense; otherwise you may travel to one of our company-owned Stores at your expense for one day.

Commencement of Operations

We estimate that the time period between the day you sign your Franchise Agreement and the day you begin operating your USI Store will be 180 days to one year. That time period could be affected by your ability to (1) locate a site for your USI Store that is acceptable to us, (2) obtain suitable financing for the build-out of your Store premises, (3) complete the build-out of your Store premises in a timely manner, (4) have your site properly zoned, (5) obtain all applicable licenses and permits needed for the operation of your USI Store, and (6) attend and successfully complete the next scheduled initial training program. You must begin operating your USI Store within one year of the date you sign your Franchise Agreement or we may terminate your Franchise Agreement. USI does not provide assistance in conforming the site to local ordinances and codes or obtaining permits. USI does not assist in construction, remodeling or decorating the USI Store. USI does not provide assistance in hiring your employees.

ITEM 12

TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from Stores that we own, or from other channels of distribution or competitive brands that we control. You may also face competition from Co-Branded Stores that offer frozen yogurt and ROCKY MOUNTAIN CHOCOLATE FACTORY products.

You have no options, rights of first refusal, or similar rights to acquire additional franchises.

You will operate your USI Store at a specific location that is referred to as the “**Premises**” in the Franchise Agreement. We must approve your Premises before you sign a Franchise Agreement. The designation of your Premises does not grant you the exclusive right to any particular market or customers. You may advertise your USI Store anywhere, provided that you receive our prior approval of all advertising and you do not violate the terms of any national, regional or co-op advertising group of USI Stores. Other USI franchisees have the same rights to advertise. You may not sell products or services through alternative channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, outside of your Premises, without our prior approval.

You may not relocate your Premises without our prior written approval. If you have operated your USI Store for at least 12 months and you desire to change its Premises, you may send us a written request explaining your reasons and proposing an alternative location. If we approve an alternative location in writing, you must sign our then current form of Franchise Agreement, and you must complete the move and open your new Premises within 12 months from the date the Store at the prior Premises

closes. Upon relocation, you may not change the owners or your percentage ownership interests from that of the prior location unless you comply with the transfer provisions in the Franchise Agreement.

Our affiliate, Rocky Mountain Chocolate Factory, Inc., (“**RMCF**”) offers franchises for **ROCKY MOUNTAIN CHOCOLATE FACTORY** stores under a separate disclosure document that is only available from RMCF.

We may establish other related franchises or company-owned Stores that sell or lease similar products or services under a different name or trademark. Without providing any compensation to you, USI retains the rights: (1) to use and to license others to use, the Proprietary Marks and the System in connection with USI Stores at any location; (2) to use the Proprietary Marks and System in connection with other services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including on the Internet, without regard to location; (3) to use and license the use of other proprietary marks or methods in the sale of products and services similar to those which you sell, whether in alternative channels of distribution or in the operation of stores that are the same as, or similar to, or different from USI Stores, at any location, and on any terms and conditions as we deem desirable and without granting you any rights to them; (4) to acquire, merge with, or be acquired by any other business, including a business that competes directly with your USI Store, wherever located; and (5) to implement marketing programs, including Internet and national accounts, which may allow us or others to solicit or sell to customers anywhere. We may issue mandatory policies to coordinate multi-area marketing programs.

Your continuation of the right to operate the Store during the term of the Franchise Agreement does not depend on the achievement of any certain sales volume, market penetration or similar contingency. Although in some instances, we grant a franchisee a right of first refusal on a neighboring or extended territory, you have no option, right of first refusal or similar contractual right to acquire additional Stores within a territory or in areas contiguous to your Stores. We have no present plans to establish other franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as stated above, we reserve the right to do so.


ITEM 13


TRADEMARKS

U-Swirl Store

Under the terms of the Franchise Agreement for a U-Swirl Store, USI grants you the right to operate your business under the mark “U-Swirl Frozen Yogurt,” and under some of the other Proprietary Marks of the U-Swirl System.

USI has registered the following principal marks on the Principal Register of the United States Patent and Trademark Office (“**USPTO**”):

Mark	Registration No.	Date of Registration
U-SWIRL	3,602,483	April 7, 2009
	3,605,649	April 14, 2009
U-SWIRL FROZEN YOGURT	3,612,407	April 28, 2009

Mark	Registration No.	Date of Registration
WORTH THE WEIGHT	3,626,162	May 26, 2009
	3,626,163	May 26, 2009

All affidavits for those marks required to be filed with the USPTO have been filed.

As of the date of this Disclosure Document concerning marks of the U-Swirl System, (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI's principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI's principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

As of the date of this Disclosure Document, USI does not know of any superior rights or infringing uses that could materially affect your use of USI's principal Proprietary Marks.

CherryBerry System

Under the terms of the Franchise Agreement for a CherryBerry Store, USI grants you the right to operate your business under the mark "CherryBerry" and the other Proprietary Marks of the CherryBerry System.

The following principal marks are registered on the Principal Register of the USPTO and have been assigned to USI:

Mark	Registration No.	Date of Registration
CherryBerry	4,930,633	April 5, 2016
CherryBerry Self-Serve Yogurt Bar	3,969,407	May 31, 2011

The following principal mark is registered with the USPTO on the Supplemental Register by a prior owner and has been assigned to USI:

Mark	Registration No.	Date of Registration
Best on the Planet	4,445,290	December 3, 2013

To USI's knowledge concerning the marks specific to the CherryBerry System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI's principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI's principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

Yogurtini System

Under the terms of the Franchise Agreement for a Yogurtini Store, USI grants you the right to operate your business under the mark “Yogurtini” and the other Proprietary Marks of the Yogurtini System.

The following principal marks are registered on the Principal Register of the USPTO and have been assigned to USI:

Mark	Registration No.	Date of Registration
Yogurtini	3,750,436	February 16, 2010
Serve Yo Self	3,842,953	August 31, 2010

All affidavits for these marks required to be filed with the USPTO have been filed.

To USI’s knowledge concerning the marks specific to the Yogurtini System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI’s principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI’s principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

Yogli Mogli System

Under the terms of the Franchise Agreement for a Yogli Mogli Store, USI grants you the right to operate your business under the mark “Yogli Mogli” and the other Proprietary Marks of the Yogli Mogli System.

The following principal mark is registered on the Principal Register of the USPTO and has been assigned to USI:

Mark	Registration No.	Date of Registration
Yogli Mogli	3,779,340	April 20, 2010

All affidavits for that mark required to be filed with the USPTO have been filed.

You may also use certain other trademarks and service marks owned by USI, as may be specified from time to time in the Operations Manual.

To USI’s knowledge concerning the marks specific to the Yogli Mogli System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI’s principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI’s principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

Aspen Leaf System

Under the terms of the Franchise Agreement for an Aspen Leaf Yogurt Store, USI grants you the right to operate your business under the mark “Aspen Leaf” and the other Proprietary Marks of the Aspen Leaf System.

USI has a license to use, and grant its franchisees to use, the following principal mark registered by Aspen Leaf Yogurt with the USPTO on the Principal Register:

Mark	Registration No.	Date of Registration
Aspen Leaf	4,109,640	March 6, 2012

As of the effective date of this Disclosure Document, all affidavits have been filed with the USPTO.

U-Swirl, Inc. entered into an agreement with AL and RMCF, dated January 14, 2013, in which AL and RMCF granted to U-Swirl, Inc. a worldwide, exclusive, royalty free license to use the marks and other intellectual property and intangible assets utilized in the System that are owned by those entities (the “**Licensed IP**”), and to grant sublicenses to Aspen Leaf franchisees to use the Licensed IP. The Licensed IP includes the “ASPEN LEAF” mark. The license was transferred by U-Swirl, Inc. to USI. The license cannot be revoked by AL or RMCF unless one of the following events occur: (a) USI ceases to operate the Aspen Leaf system and any business offering goods and services under the licensed marks; (b) USI breaches any of the provisions of the license as stated in the agreement granting the license, provided that USI will have thirty days after the receipt of written notice from AL/RMCF describing the breach in which to cure the breach; or (c) AL, RMCF, and USI agree to an earlier termination of the license. AL and RMCF agreed that if they revoke the license as permitted by the license, they will continue to permit any franchisees that have effective Aspen Leaf system franchise agreements with USI to continue to use the Licensed IP, as permitted by their franchise agreements; provided that USI assigns the effective franchise agreements to RMCF/AL (which USI is contractually bound to do in that situation). RMCF and AL agreed that during the term of the license, (1) neither they, nor any of their affiliates, will use any of the licensed marks on or in connection with yogurt or any frozen dessert products; and (2) they will not grant a license to any person or entity other than USI to use the Licensed IP.

You may also use certain other trademarks and service marks owned by USI, as may be specified from time to time in the Operations Manual.

To USI’s knowledge concerning the marks specific to the Aspen Leaf System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI’s principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI’s principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

Except as discussed above, no agreements limit our right to use or license the use of the Proprietary Marks.

Let’s Yo! System

Under the terms of the Franchise Agreement for a Let’s Yo! Store, USI grants you the right to operate your business under the mark “Let’s Yo!” and the other Proprietary Marks of the Let’s Yo! System.

The following principal mark is registered on the Principal Register of the USPTO and has been assigned to USI:

Mark	Registration No.	Date of Registration
Let’s Yo!	4,319,001	April 9, 2013

To USI’s knowledge concerning the marks specific to the Let’s Yo! System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI’s principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI’s principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

Fuzzy Peach System

Under the terms of the Franchise Agreement for a Fuzzy Peach Yogurt Store, USI grants you the right to operate your business under the mark “The Fuzzy Peach Frozen Yogurt Bar” and the other Proprietary Marks of the Fuzzy Peach System.

The following principal mark is registered on the Principal Register of the USPTO and has been assigned to USI:

Mark	Registration No.	Date of Registration
The Fuzzy Peach Frozen Yogurt Bar and Design	4,296,265	February 26, 2013

To USI’s knowledge concerning the marks specific to the Fuzzy Peach System, as of the date of this Disclosure Document (1) no presently effective material determinations have been made by the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court with regard to USI’s principal Proprietary Marks; (2) no interference, opposition, or cancellation proceedings, and no material litigation involving USI’s principal Proprietary Marks relevant to their use in any state, are pending; and (3) no agreements in effect significantly limit the rights of USI to use or license the use of the principal trademarks that are material to the franchise.

U-Swirl, CherryBerry, Yogurtini, Yogli Mogli, Aspen Leaf, Let’s Yo! and Fuzzy Peach Systems

You must follow our rules when you use the Proprietary Marks. You cannot use “U-Swirl” or a variation of that name; “Aspen Leaf” or “Rocky Mountain Chocolate Factory,” or any of those words; an abbreviation of the words “Aspen Leaf” or “Rocky Mountain Chocolate Factory”; or any of USI’s other Proprietary Marks, as part of your business entity name, with or without modifying words. You cannot use “U-Swirl” or a variation of that name, “Aspen Leaf” or “Rocky Mountain Chocolate Factory”; or any of USI’s other Proprietary Marks or other marks owned by or licensed to USI, with or without modifying

designs or symbols, except for the Proprietary Marks USI licenses to you and in accordance with our standards and specifications. You may not register a domain name, such as for use in an e-mail address, containing all or a portion of a Proprietary Mark owned by USI, without prior written approval from USI. You may not use the Proprietary Marks in connection with the name of an unauthorized product or service, or in a manner not authorized in writing by USI.

As of the date of this Disclosure Document, USI does not know of any superior rights or infringing uses that could materially affect your use of USI's principal Proprietary Marks. You may also use certain other trademarks and service marks owned by USI, as may be specified from time to time in the Operations Manual.

You must notify USI immediately when you learn about an infringement or challenge to your use of our Proprietary Marks. USI will take the action it deems appropriate, but the Franchise Agreement does not require USI to take affirmative action when notified of these claims. USI has the sole right to control any administrative proceedings concerning its Proprietary Marks. USI is not required to: (i) notify you of the use of, or claims or rights to, a mark that is identical or confusingly similar to a mark USI licenses to you; (ii) defend you against a claim against your use of our Proprietary Marks; or (iii) otherwise protect your right to use the principal mark(s) disclosed in this Item 13. The Franchise Agreement does not require USI to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a mark USI licenses to you, or if the proceeding is resolved unfavorably to you (subject to modification by applicable state law; see Exhibit I to this Disclosure Document and the Riders to the Franchise Agreement for certain states).

You must, at your sole expense, modify or discontinue the use of a particular mark if USI modifies or discontinues it. You must not directly or indirectly contest our right to our Proprietary Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

U-Swirl System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the USI website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the U-Swirl System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or

cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the U-Swirl System referred to in this Item 14.

CherryBerry System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the CherryBerry website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the CherryBerry System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the CherryBerry System referred to in this Item 14.

Yogurtini System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

USI's predecessor obtained a U.S. copyright registration of the Yogurtini logo (Registration Number VA 1-687-490; Effective Date: September 29, 2009). The ownership of the registration for the Yogurtini logo was transferred to USI in June 2015. Recordation of the Assignment of the copyright registration to USI is dated April 17, 2017, according to records of the U.S. Copyright Office. USI believes that the duration of the copyright registration is until 2103. Under present law, USI is not able to renew the copyright.

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an

application for copyright registration for the Operations Manual, the franchise sales materials, the content on the Yogurtini website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the Yogurtini System, no presently effective material determinations known to USI have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and to USI's knowledge, no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the Yogurtini System referred to in this Item 14.

Yogli Mogli System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the Yogli Mogli website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the Yogli Mogli System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the Yogli Mogli System referred to in this Item 14.

Aspen Leaf System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidentiality, and

it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the Aspen Leaf website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the Aspen Leaf System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the Aspen Leaf System referred to in this Item 14.

Let's Yo! System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the Let's Yo! website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the Let's Yo! System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the Let's Yo! System referred to in this Item 14.

Fuzzy Peach System

Patents

No patents or pending patents are material to the franchise.

Copyrights and Proprietary Information

We consider our Operations Manual, electronic information and communications, franchise sales materials, and other related materials to be proprietary information, some of which is confidential information, and it is to be used by you only as described in the Franchise Agreement. Although USI has not filed an application for copyright registration for the Operations Manual, the franchise sales materials, the content on the Fuzzy Peach website, or the marketing materials, we claim copyrights in these items.

USI's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

As of the date of this Disclosure Document, concerning copyrights on materials specific to the Fuzzy Peach System, no presently effective material determinations have been made by the U.S. Copyright Office, or any court with regard to USI's copyrighted materials; and no interference, opposition, or cancellation proceedings, and no material litigation involving USI's copyrighted materials relevant to their use in any state, are pending.

As of the date of this Disclosure Document, USI does not know of any infringing uses that could materially affect your use of the copyrighted materials of the Fuzzy Peach System referred to in this Item 14.

U-Swirl, CherryBerry, Yogurtini, Yogli Mogli, Aspen Leaf, Let's Yo! and Fuzzy Peach Systems

The information in the Operations Manual is proprietary, confidential, and constitutes trade secrets of USI.

You must notify USI immediately if you learn about an infringement or challenge to your use of our copyrights. USI will take the action it deems appropriate, but the Franchise Agreement does not require USI to take affirmative action when notified of these claims. USI has the sole right to control any administrative proceedings concerning its copyrights. USI is not required to: (i) defend you against a claim related to your use of our materials subject to copyrights; or (ii) otherwise protect your right to use our materials subject to copyrights. The Franchise Agreement does not require USI to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a USI copyright, or if the proceeding is resolved unfavorably to you (subject to modification by applicable state law; see Exhibit I to this Disclosure Document and the Riders to the Franchise Agreement for certain states).

If USI decides to add, modify, or discontinue the use of an item or process covered by a copyright, you must also do so.

Whenever you are asked to do so by USI, you must assign to USI the copyright on all advertising, brochures, and other materials created by you that are related to your Store or the System.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required by USI to participate personally in the direct operation of the franchised business, and USI neither recommends nor discourages you from doing so.

You or a person designated by you to assume primary responsibility for the overall management of the Store (the “**General Manager**”) is responsible for the overall management of your franchised business. You or your General Manager must participate directly in the operation and management of your USI Store. You or your General Manager (as applicable) must be certified by USI as having successfully completed the initial training program, and you or your General Manager must use your best efforts in the day-to-day operations of your USI Store. If you designate a General Manager, that person need not have an ownership interest in the franchisee entity.

You or your General Manager must live in the locality where your USI Store is located; or if you own multiple franchises, you or your General Manager must live in the general area in which the Stores will be located.

If you are an entity, your principal owners and your General Manager must sign a Guaranty and Assumption of Franchisee’s Obligations (which is attached to the Franchise Agreement as Exhibit II), in which they personally guarantee the prompt and complete performance of all the covenants and conditions contained in the Franchise Agreement.

You and we are independent contractors, and you must not act as our agent, employee or representative, or attempt to bind or obligate us in any manner.

If your USI Store will be managed by anyone other than you, we must be notified of the identity of the manager, and we have the right to approve or disapprove of the manager. That person must be able to read, write, and speak English well enough to communicate fluently with customers and with representatives of USI; and must also be certified by us as having successfully completed our initial training program. If you own more than one USI Store, each of your USI Stores must have its own manager, who is not disapproved by USI, who is certified, and who is able to read, write, and speak English well enough to communicate fluently with customers and with representatives of USI.

If a change in the manager of your USI Store occurs, we must be notified of the identity of the new manager, and we have the right to approve or disapprove of the manager. That person must be able to read, write, and speak English well enough to communicate fluently with customers and with representatives of USI, and also be certified within 90 days of becoming the manager.

You will be solely responsible for the hiring of any employees of your USI Store. You must maintain a staff of competent, trained employees sufficient to operate your USI Store in compliance with our standards and applicable law. Before employing them, you will be responsible for carefully screening all employees to ascertain their fitness for employment in the food service industry.

We may require you to cause your General Manager and manager(s), and each of your officers, directors, partners, limited liability company managers and members, and shareholders (as applicable), and any member of your or their immediate families, to sign a nondisclosure and noncompetition agreement to maintain confidentiality of the proprietary information and trade secrets described in Item 14 above, and to conform with the covenants not to compete described in Item 17 below (see Exhibit E to this Disclosure Document). If we require any immediate family member to sign a nondisclosure and noncompetition agreement after you sign the Franchise Agreement, you must use your best efforts to cause that person to sign that agreement. Other than the requirements above, we make no recommendations and have no requirements regarding written employment or other written agreements between you and your employees.

We may require each individual who owns a 5% or greater interest in a franchise entity to sign the “Guaranty and Assumption of Obligations” of franchisee, which is attached to the Franchise Agreement as Exhibit II.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that USI has approved (see Item 8 above).

While we recommend that you offer in your USI Store all goods and services that USI designates as approved for your Store, you may, with our prior written consent, offer less than all of those goods and services. The required goods and services are specified in the Operations Manual (see also, Item 8 above).

USI may add other approved suppliers, products, or services that you are required to use/offer. No limits exist on USI’s right to approve new and additional suppliers or to require you to offer additional products and services.

USI has instituted a program for all USI Store franchisees to sell or otherwise issue gift cards. As the Gift Card program is part of the System, you must participate by offering Gift Cards to your customers and honoring all Gift Cards presented to you as payment for products, regardless of whether the Gift Card was issued by you or another USI Store.

You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by USI in the Manual or otherwise in writing. All funds from sales of Gift Cards shall be retained in a separate account which is maintained by USI. The funds in this account will not be utilized for any other purpose. Each franchisee’s account will be debited or credited, as applicable, to account for sales and redemptions of Gift Cards.

You may seek our approval for you to offer and sell goods or services in your USI Store other than those specified by USI; however, we are not obligated to approve any goods or services based on your request for approval.

USI may require you to comply with other requirements such as training, marketing, and insurance.

During the term of the Franchise Agreement, you must not engage in any other business that is the same as or similar to your franchised business.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	Section 1.3	10 years for a USI Store
(b) Renewal or extension of the term	Section 1.3	If you are in good standing, you can renew the Franchise Agreement for a USI Store for an additional 10-year term
(c) Requirements for you to renew or extend	Section 1.3	You must give advance written notice to USI; not be in default of your Franchise Agreement; not have been in default during the term of your Franchise Agreement more than three times; permit USI to inspect the franchise premises and records of the business; upgrade and remodel the premises as USI directs; sign a release of claims (subject to state law); pay renewal fee; and sign the then-current form of Franchise Agreement, which may contain terms and conditions that are materially different from your original Franchise Agreement.
(d) Termination by you	Not Applicable	Not applicable
(e) Termination by USI without cause	Not Applicable	Not applicable
(f) Termination by USI with cause	Sections 5.1 to 5.4	USI can terminate if you become bankrupt (may not be enforceable under federal bankruptcy law), insolvent, or are in default under the Franchise Agreement.
(g) "Cause" defined – curable defaults	Section 5.2 to 5.4	You have 24 hours to cure violations of laws, regulations, or standards of health or safety. You have 10 days to cure non-payment of money owed and failure to provide required reports. You have 30 days to cure other curable breaches of franchise agreement (subject to modification by state law).
(h) "Cause" defined – non-curable defaults	Section 5.1	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, misuse of proprietary material, material misrepresentations, certain improper business practices, becoming subject to Executive Order 13224, unapproved transfers, others.
(i) Your obligations on termination/non-renewal	Sections 2.10 and 5.9	Obligations include complete de-identification of the store, return proprietary materials, and payment of amounts due (also, see item "r", below).
(j) Assignment of contract by USI	Section 3.5	Transferee must agree to assume all obligations of USI under the contract.
(k) "Transfer" by you – defined	Section 3.1	Includes transfer of contract or assets or ownership change.

Provision	Section in Franchise Agreement	Summary
(l) USI's approval of transfer by you	Section 3.1	All transfers must be approved by USI, but USI will not unreasonably withhold approval.
(m) Conditions for USI approval of transfer	Section 3.3	Prospective franchisee qualifies, transfer/training fee paid, purchase agreement approved, training satisfactorily completed, new Franchise Agreement signed, upgrades or remodeling completed, if required by USI, and release signed by you (subject to state law).
(n) USI's right of first refusal to acquire your business	Section 3.2	If you own a USI Store Franchise, USI has option to purchase franchise business before transfer on the same terms.
(o) USI's option to purchase your business	Section 5.8	Upon termination of the Franchise Agreement, USI has the right, but not the obligation, to purchase assets used in the USI Store
(p) Death or disability of you	Section 3.4	To continue operation, the franchise must be assigned by your estate or surviving shareholders, members, or partners within 90 days. The new franchisee must be approved by USI.
(q) Non-competition covenants during the term of the franchise	Section 2.10	You may not have any involvement in a similar business.
(r) Non-competition covenants after the franchise is terminated or expires	Section 2.10	You are restricted from having an interest in a similar business for 2 years within 3 miles of any USI Store
(s) Modification of the agreement	Section 6.14	No modifications unless in writing.
(t) Integration/merger clause	Section 6.13	Only the terms of the Franchise Agreement, as applicable, are binding. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 6.3	Not Applicable, with exceptions. In California, Idaho, Illinois, Iowa, Minnesota, Rhode Island and South Dakota, most disputes must be submitted to non-binding arbitration before either party can pursue a civil action against the other.
(v) Choice of forum	Section 6.3	Litigation in La Plata County, Colorado (subject to state law).
(w) Choice of law	Section 6.4	Colorado law applies (subject to state law).

ITEM 18

PUBLIC FIGURES

USI does not pay or use any public figure to promote its franchise, and no public figure is involved in the ownership, management, or control of USI.

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 or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

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 Greg Pope, at U-Swirl International, Inc., 265 Turner Drive, Durango, Colorado 81303 USA, 970-375-5687; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1.

SYSTEMWIDE OUTLET SUMMARY

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	115	96	-19
	2020	96	80	-16
	2021	80	71	-9
Company- Owned	2019	5	4	-1
	2020	4	4	-0
	2021	4	3	-1
Total Outlets	2019	120	100	-20
	2020	100	84	-16
	2021	84	74	-10

Table 2.

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2019 TO 2021**

State	Year	Number of Transfers
Georgia	2019	1
	2020	1
	2021	1
Illinois	2019	1
	2020	0
	2021	0
Minnesota	2019	0
	2020	0
	2021	1
New Jersey	2019	0
	2020	0
	2021	1
North Dakota	2019	0
	2020	0
	2021	1
Utah	2019	0
	2020	0
	2021	1
Totals	2019	2
	2020	1
	2021	5

Table 3.

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2019 TO 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
Arkansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
California	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
Colorado	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Georgia	2019	13	0	0	0	0	1	12
	2020	12	0	1	0	0	6	5
	2021	5	4	0	0	0	0	9

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Idaho	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
Illinois	2019	3	0	0	0	0	1	2
	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	1	2
Iowa	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Kansas	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
Michigan	2019	2	0	1	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Minnesota	2019	19	0	0	0	0	3	16
	2020	16	0	0	0	0	0	16
	2021	16	0	0	0	0	2	14
Mississippi	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	8	1	2	0	0	0	7
	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	2	5
Montana	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	0	1
Nebraska	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
Nevada	2019	6	0	0	0	0	3	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
New Jersey	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	1	2
New Mexico	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
New York	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
North Carolina	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	1	0	0	4
North Dakota	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Ohio	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Oklahoma	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	2	1
Pennsylvania	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
South Dakota	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
Texas	2019	9	1	0	0	0	3	7
	2020	7	0	0	0	0	2	5
	2021	5	0	0	0	0	0	5
Utah	2019	3	0	0	0	0	1	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
Washington	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Wisconsin	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
United States Totals	2019	115	3	3	0	0	19	96
	2020	96	1	1	0	0	16	80
	2021	80	6	1	1	0	13	71

Table 4.

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2019 TO 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Nevada	2019	5	0	0	1	0	4
	2020	4	0	0	0	0	4
	2021	4	0	0	1	0	3
Totals	2019	5	0	0	1	0	4
	2020	5	0	0	0	0	4
	2021	4	0	0	1	0	3

Table 5.

PROJECTED OPENINGS AS OF FEBRUARY 28, 2021

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
TOTALS	0	1	0

The names of all USI franchisees and the addresses and the telephone numbers of their franchised businesses are listed in Exhibit G to this Disclosure Document.

The name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of every USI franchisee who has had a franchised business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a USI Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this Disclosure Document, is listed on Exhibit H to this Disclosure Document.

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

Some franchisees have signed confidentiality clauses in agreements with us during the past three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the USI System. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with USI.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit C are our parent company, Rocky Mountain Chocolate Factory, Inc.'s, audited financial statements for the fiscal years ended February 28, 2019, February 29, 2020, and February 28, 2021, and unaudited financial statements for the three-month period ended May 31, 2021. Our fiscal year end is the last day of February.

Also included in Exhibit C is a Guarantee of Performance by our parent company, Rocky Mountain Chocolate Factory, Inc., of our obligations under the Franchise Agreement and state franchise registrations.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following contracts and agreements:

- Exhibit B Franchise Agreement
- Exhibit B-1 RMCF Co-Brand Amendment to Franchise Agreement
- Exhibit E Nondisclosure and Noncompetition Agreement
- Exhibit F General Release
- Exhibit I State Addenda to Disclosure Document, Franchise Agreement and Other Agreements
- Exhibit J Closing Acknowledgement

ITEM 23

RECEIPTS

The last page two pages of this Disclosure Document are receipt pages. Please sign and date each of them as of the date you receive this Disclosure Document, detach the second receipt page, and promptly return it to us as specified on that page.

**EXHIBIT A
(TO DISCLOSURE DOCUMENT)**

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7505
(866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205
(866) 275-2677

1350 Front Street
San Diego, CA 92101
(619) 525-4044
(866) 275-2677

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
Terry Lee Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
(850) 488-2221

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

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

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

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

Michigan

State of Michigan
Consumer Protection Division
Attention: Franchise
P.O. Box 30213
Lansing, MI 48909
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

Nebraska

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

New York

Office of the New York State
Attorney General
Investor Protection Bureau
Franchise Section
28 Liberty Street
New York, NY 10005
(212) 416-8000

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

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

Rhode Island

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

South Dakota Department of
Labor and Regulation
Division of Insurance - Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator
Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

LIST OF AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Business Oversight
California Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7505
(866) 275-2677

Hawaii

Commissioner of Securities
Department of Commerce and Consumer
Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-1090

Indiana

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

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910
(517) 334-6212

Minnesota

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

New York

New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

North Dakota

North Dakota Securities Commissioner
600 E. Boulevard Avenue
State Capitol, 5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

Oregon

Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, OR 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of
Insurance
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Virginia

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371-9733

Washington

Securities Administrator
Washington State Department of
Financial Institutions
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, WI 53703
(608) 261-9555

**EXHIBIT B
(TO DISCLOSURE DOCUMENT)**

U-SWIRL INTERNATIONAL, INC.

FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Location: _____

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Exhibits:

Exhibit I	Addendum to Franchise Agreement
Exhibit II	Guaranty and Assumption of Franchisee's Obligations
Exhibit III	Statement of Ownership
Exhibit IV	Electronic Funds Transfer Authorization Agreement

**U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT**

This Franchise Agreement (“**Agreement**”) is made and entered into as of the date set forth on the signature page of this Agreement (the “**Effective Date**”) between U-Swirl International, Inc., a Nevada corporation, located at 265 Turner Drive, Durango, Colorado 81301 (“**USI**”); and _____, a _____, located at _____ (“**Franchisee**”).

RECITALS

A. USI has created for use in the operation of frozen yogurt stores (“**Stores**”) a distinctive interior design, trade dress, décor, and color scheme; uniform methods of operation and equipment specifications; procedures for quality control; training and ongoing assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by USI from time to time. These Stores do business under a variety of different service marks and other trademarks, service marks, logos, insignias, domain names, trade names and trade dress owned by USI, which are collectively referred to in this Agreement as the “**Proprietary Marks**.” The specific trade name and service marks licensed to the Franchisee will be designated in the Addendum attached hereto as Exhibit I and incorporated herein by reference. All of the knowledge, experience, processes, methods, specifications, techniques, Proprietary Marks and other intellectual property, software, and information of USI available for use in the operation of the business subject to this Agreement are referred to in this Agreement as the “**System**.” Much of the information related to the components of the System constitutes trade secrets of USI.

B. USI owns and has granted franchises to others for the operation of Stores using the System.

C. Franchisee understands and recognizes that (1) the developments and properties of USI as recited above are of considerable value; and (2) it is important to USI and all of its franchisees to maintain the System in a uniform and distinctive manner, allowing Franchisee and all other franchisees of USI to enjoy a public image and reputation greatly in excess of that which any single franchisee could establish.

D. Franchisee desires to use the Proprietary Marks licensed to it and to enjoy the benefits of those marks, the other Proprietary Marks, and the System; and to establish a Store to be operated in accordance with the methods, practices, and procedures set forth from time to time by USI in its Operations Manual (as defined in Section 2.7 below). USI is willing to grant Franchisee the right to do so under the terms, conditions and provisions set forth in this Agreement.

E. Franchisee recognizes the necessity and desirability of protecting the reputation, goodwill, trade secrets, and confidential business information of USI; and recognizes that disclosure of trade secrets and confidential business information, including many components of the System, to any third party will cause irreparable damage and harm to USI.

1. THE FRANCHISE: RIGHTS, TERM, RENEWAL, AND FEES

1.1 Franchise Grant

a. During the term of this Agreement, USI grants Franchisee a franchise to operate a frozen yogurt Store that includes the right to use the System as provided in this Agreement, at the location (the “**Premises**”) and using the Proprietary Marks listed in the Addendum to this Agreement, which is attached as Exhibit 1 and incorporated into this Agreement by reference. Franchisee may relocate the Store only with USI’s prior written consent and approval of the relocation site.

b. This franchise is granted only for the Premises identified above and grants no rights outside the Premises; nor does it include any protection against competition.

c. Franchisee acknowledges that USI or an affiliate of USI, if any, may be operating stores that are similar to the Store that will be operated by Franchisee under this Agreement.

d. Except as specified above, Franchisee acknowledges and agrees that the franchise rights granted under this Agreement are non-exclusive and USI retains the rights: (1) to use and to license others to use, the Proprietary Marks and the System in connection with Stores at any location outside of the Premises; (2) to use the Proprietary Marks and System in connection with other services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including on the Internet, without regard to location; (3) to use and license the use of other proprietary marks or methods in the sale of products and services similar to those which Franchisee sells, whether in alternative channels of distribution or in the operation of stores that are the same as, or similar to, or different from Stores, at any location, and on any terms and conditions as USI deems desirable and without granting Franchisee any rights to them; (4) to acquire, merge with, or be acquired by any other business, including a business that competes directly with the Store, wherever located; and (5) to implement multi-area marketing programs, including Internet and national accounts, which may allow USI or others to solicit or sell to customers anywhere. USI may issue mandatory policies to coordinate multi-area marketing programs, if applicable.

1.2 Initial Franchise Fee

The initial franchise fee for the rights granted under this Agreement is the amount listed in the Addendum in Exhibit I and is payable at the signing of this Agreement. The initial franchise fee is nonrefundable.

1.3 Term and Renewal

a. The term of this Agreement, and the period within which Franchisee will enjoy its rights and privileges, will begin as of the Effective Date, and will terminate 10 years thereafter. Franchisee will, however, have the option to renew its franchise rights by obtaining up to two successor franchises, each for terms of 10 years, subject to all terms and conditions then being required of new franchisees, including the then-prevailing Royalty Fee rate.

b. To obtain a successor franchise, Franchisee must:

1. be in complete compliance with the terms of this Agreement and the then-current Operations Manual;

2. not have received more than three written notices of breach of this Agreement during its term, whether cured or not;
3. give USI written notice of Franchisee's desire to renew not less than 90 days nor more than 180 days before this Franchise Agreement expires;
4. pay to USI a "**Successor Franchise Fee**" of \$5,000.00;
5. sign the then current form of Franchise Agreement and other agreements then being required of new franchisees, and return these agreements to USI (properly executed by Franchisee without changes) before the expiration of this Agreement;
6. permit representatives of USI to inspect the Store and the Premises;
7. upgrade or remodel the Store and the Premises as USI directs, or commit to do so by a date certain that is agreeable to USI;
8. be current on all financial obligations to USI; and
9. except where prohibited by law, release all past and present claims against USI.

1.4 Trade Name, Proprietary Marks, and Trade Secrets

a. The license granted under this Agreement permits Franchisee: (1) to operate a Store at the Premises under the trade name set forth in Exhibit I in accordance with the System, including the methods, practices, and procedures set forth from time to time in the Operations Manual; and (2) to use the Proprietary Marks in connection with the operation of the Store. Franchisee has no right to license or sublicense USI's trade names, any aspects of the System, or the Operations Manual, or any of the Proprietary Marks.

b. Franchisee agrees to use the Proprietary Marks only in the manner and to the extent specifically licensed by this Agreement, and only in conformity with the standards and requirements that USI has established or may establish from time to time, and which are set forth in part in the Operations Manual. Franchisee further agrees that any unauthorized use or continued use of the Proprietary Marks after the termination or expiration of this Agreement will constitute irreparable harm entitling USI to seek and obtain injunctive relief.

c. Franchisee acknowledges and agrees that the Proprietary Marks presently owned by USI, or which may be acquired in the future, constitute part of the System; that valuable goodwill is associated with and attached to all of the Proprietary Marks; and that any and all goodwill associated with the Proprietary Marks, including any goodwill that arises from Franchisee's activities, inures directly and exclusively to the benefit of USI. Further, Franchisee specifically acknowledges that certain portions of the Premises decor and design constitute unique and protectable images, which are identified with USI and which are part of the goodwill associated with the System. This "**trade dress**" is exclusively owned by USI, and this Agreement does not grant any ownership or other interests in the trade dress to Franchisee. Usage of the trade dress by Franchisee, and any goodwill established by that usage, inures to the exclusive benefit of USI.

d. Franchisee understands that Franchisee's license to use some of the Proprietary Marks is non-exclusive and relates solely to the operation of the Store.

e. Except for use in strict compliance with this Agreement, Franchisee shall not, directly or indirectly, apply to register, register, or otherwise seek to use or control, or in any way use in any place,

any of the Proprietary Marks, or any of the other marks or trade dress owned by or licensed to USI (or any portion of them), or any confusingly similar form or variation; nor will Franchisee assist any others to do so.

f. Franchisee agrees that during the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest or aid a third party in contesting the validity or ownership of the Proprietary Marks, or any other marks or trade dress owned by or licensed to USI.

g. Franchisee shall not post any of USI's confidential information on the Internet, and Franchisee shall not post any USI copyrighted material or information on the Internet without USI's prior written permission; nor will Franchisee assist any other party in doing so. Franchisee shall not maintain an Internet site or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the franchised business without USI's prior written approval, which USI may withhold for any reason. Franchisee agrees that it must obtain USI's prior written approval for any Internet domain name or home page address owned or controlled by Franchisee that includes any of the Proprietary Marks, which approval may be withheld by USI for any reason. Franchisee agrees to submit to USI for its approval before use, true and correct printouts of all website pages Franchisee proposes to use in its website in connection with the franchised business (if any). Franchisee will only use material that USI has approved. Franchisee's website must conform to all of USI's website requirements, whether set forth in the Operations Manual or otherwise. If USI grants approval for a website: (1) Franchisee shall not use any of the Proprietary Marks at the site except as USI expressly permits; (2) if Franchisee wishes to modify its approved site, all proposed modifications must also receive USI's prior written approval; (3) Franchisee explicitly understands that it must not post on its website any material in which any third party has any direct or indirect ownership interest (including video clips, photographs, sound bites, copyrighted text, trademarks or service marks or any other text or image in which any third party may claim intellectual property ownership interests); (4) Franchisee agrees to list on its website any website maintained by USI, and any other information USI requires in the manner USI dictates; (5) Franchisee agrees to provide all hyperlinks or other links that USI requires; and (6) Franchisee agrees that USI may provide on the USI website a link to Franchisee's website. The requirement for USI's prior approval set forth in this Section will apply to all activities on the Internet or other communications networks conducted by Franchisee, except for electronic mail communications as follows: Franchisee must maintain one electronic mail address specifically for business use, including for communications between Franchisee and USI. Franchisee may send and receive electronic mail communications without USI's prior written approval—provided that the electronic mail address(es) and communications comply with USI's standards.

h. USI claims all copyrights in the Operations Manual, and in its menus, recipes, and other written materials developed by USI. Franchisee agrees to follow USI's rules regarding the use of the copyrighted materials of USI and not use such materials in any unauthorized manner.

i. Franchisee shall immediately refer to USI (1) any infringement or challenge to the validity or ownership of any of the Proprietary Marks or copyrights of USI; (2) any complaints made by customers to the media or the public, including use of the Internet in connection with the use of these names and Proprietary Marks or copyrights of USI; or (3) any acts of unfair competition, whether by Franchisee or by third parties that interfere with the relationship of the parties to this Agreement or the relationship between USI and other franchisees. The notification must include all information that is available to Franchisee concerning the infringements or acts of unfair competition.

j. Franchisee shall cooperate with USI in any legal action against third parties brought by USI relating to this Agreement, or to the Proprietary Marks or copyrights of USI, by providing to USI information or evidence available to Franchisee as USI may request. USI will have full and complete control of any legal or informal action to stop acts of unfair competition or infringement of its Proprietary

Marks or copyrights of USI, and USI alone will decide whether any legal action will be taken. Franchisee has no right to participate in the action or decision without written permission from USI.

1.5 Use of Name

a. Franchisee shall operate, advertise, and promote the Store under the brand name specified in the Addendum with no accompanying words or symbols of any nature, except as may be otherwise required by USI or by law.

b. Franchisee shall not use as part of its business entity name any of the Proprietary Marks, any trade names of USI, or any form, portion, or variation of the Proprietary Marks or such trade names, including “USI” or “USY.” Franchisee shall not use any of the Proprietary Marks of USI, or any form, portion, or variation of the Proprietary Marks, as part of an electronic mail address or on any sites on the Internet, without the prior written consent of USI, which consent may be withheld for any reason.

c. Upon the expiration or termination of this Agreement: (1) Franchisee will thereafter refrain from using the Proprietary Marks of USI in any of its business or advertising materials; and (2) upon USI’s request, Franchisee will execute and have properly filed and recorded all documents necessary or desirable to effect the cancellation or termination by Franchisee of any filing or recording by Franchisee of any document containing any of the words in any of the Proprietary Marks of USI, or any form, portion, or variation thereof. The prohibitions on subsequent use apply to the use of the words “formerly,” “former,” “formerly associated” or any words conveying similar meaning and used in conjunction with the Proprietary Marks.

1.6 Royalty Fee, Reports, Late Charge

a. As additional consideration for the rights granted to Franchisee in this Agreement, Franchisee shall pay USI a “**Royalty Fee**” of six percent of the Net Sales resulting from the operation of Franchisee’s business from the Premises.

b. “**Net Sales**” are defined as all charges and receipts from any activities conducted in, or in connection with, the Store or on the Premises, including sales made away from the Store (such as in catering); less sales and use taxes, discounts, and refunds.

c. Franchisee shall provide to USI: (1) by Tuesday of each week a report of Net Sales during the prior week (a “**Weekly Sales Report**”); and (2) by the fifth day of each month, reports of Net Sales and profit and loss for the prior month (a “**Monthly Sales Report**”), each on forms approved or furnished by USI, in accordance with the provisions of Section 2.13 of this Agreement.

d. The continuing Royalty Fee payment is due and payable on Wednesday of each week based on the Net Sales during the preceding week.

e. Franchisee shall participate in an electronic funds transfer program under which USI automatically deducts from Franchisee’s bank account the Royalty Fee, the advertising fees (as specified in Section 2.11), and other payments owed to USI, and Franchisee agrees to sign and keep current the Electronic Funds Transfer Authorization Agreement attached to this Agreement as Exhibit 4, and incorporated into this Agreement by this reference (the “**EFT Agreement**”). Franchisee shall advise USI of any changes to Franchisee’s bank account and Franchisee shall sign a then-current version of the EFT Agreement within five business days from the date Franchisee changes its bank account or any relevant banking relationship. If Franchisee has not delivered its Weekly Sales Report to USI by Tuesday of the current week, USI will be entitled to deduct from Franchisee’s bank account an amount of the Royalty Fee, the advertising fee, and other fees estimated by USI to be owed to USI for the prior week. If the estimated deduction is more than the amount later determined to be owed by Franchisee, USI shall credit

the excess amount against the next Royalty Fee payment due from Franchisee. If the estimated deduction is less than the amount later determined to be owed by Franchisee, then Franchisee shall pay USI the balance due in the next Royalty Fee payment, along with the late fee and/or interest as described below. Use by USI of this estimation procedure does not constitute a waiver by USI of its right to pursue any and all other remedies available to it, including termination of this Agreement.

f. If Franchisee fails to pay USI when due any Royalty Fee, advertising fee, or any other amount due under this Agreement, or if an electronic funds transfer is not completed as a result of a lack of available funds or other circumstance beyond USI's control, Franchisee shall pay USI, in addition to all amounts then due, (1) a late fee of \$25 per occurrence, unless waived by USI at its sole option, plus (2) beginning on the day after the payment was due, the lesser of one and one-half percent interest per month or the highest interest rate allowed by applicable law until paid in full. This charge will not constitute a waiver of any of USI's rights under this Agreement.

g. USI has instituted a program for all franchisees to sell or otherwise issue gift cards. As the Gift Card program is part of the System, Franchisee shall participate by offering Gift Cards to Franchisee's customers and honoring all Gift Cards presented to Franchisee as payment for products, regardless of whether the Gift Card was issued by Franchisee or another USI Store.

Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by USI in the Manual or otherwise in writing. All funds from sales of Gift Cards shall be retained in a separate account which is maintained by USI. The funds in this account will not be utilized for any other purpose. Each franchisee's account will be debited or credited, as applicable, to account for sales and redemptions of Gift Cards.

1.7 Business Entity

Franchisee shall place on the face of each of its stock certificate or on a sticker attached to the certificate, or in the limited liability company operating agreement or the partnership agreement of the entity (as applicable), a reference to the restriction on transfers contained in this Agreement. If Franchisee is a corporation, limited liability company, partnership, or other multiple owner entity, USI may require its five percent or greater shareholders, partners, members, or other owners to individually execute this Agreement or the Guaranty and Assumption of Franchisee's Obligations, which is attached to this Agreement as Exhibit 2, and incorporated into this Agreement by reference, to bind themselves to the provisions of this Agreement.

1.8 Governing Documents of Franchisee

Prior to the execution of this Agreement, Franchisee shall provide to USI a copy of Franchisee's governing documents, including Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, By Laws, Partnership Agreement, or LLC Operating Agreement, or similar agreements (as applicable), and any agreements involving persons or entities holding an interest in the franchise, so that USI can be assured that Franchisee can comply with its commitments under this Agreement. Subject always to the restrictions and requirements of Article III of this Agreement, Franchisee shall provide to USI copies of any change(s) to these documents promptly upon adoption of the change(s), so that USI receives notice of the change(s) within three business days after adoption of the change(s).

1.9 Existence of Various Forms of Franchise Agreements

Franchisee acknowledges that present and future franchisees of USI may operate under different forms of franchise agreements, and consequently, USI's obligations and rights with respect to its various franchisees may differ materially in certain instances. The existence of different forms or versions of the franchise agreement does not entitle Franchisee to benefit from any such difference; nor does it operate to alter or amend the agreement of the parties set forth in this Agreement.

2. ESTABLISHMENT AND OPERATION OF THE FRANCHISE

2.1 Store Premises; Approval of Lease

a. Franchisee must at all times during the term of this Agreement operate the Store from the Premises approved by USI, which Premises may be leased or owned by Franchisee.

b. If the Premises will be leased from a third party, before signing the lease or making any other binding commitment to lease the Premises, Franchisee must provide a copy of the proposed lease to USI for its review and approval. USI may provide Franchisee with comments concerning changes that are required for USI to approve the lease or that USI suggests Franchisee try to negotiate with the landlord to make the lease more reasonable for Franchisee and its business. USI will not, however, negotiate the lease on Franchisee's behalf. Franchisee must receive USI's approval of the final version of the lease. USI reserves the right to require the Franchisee and the landlord to enter into an addendum to the lease setting forth additional terms for the benefit of the Store or the System. If Franchisee receives a loan for which funding is provided with the assistance of the United States Small Business Administration, and if an addendum to the lease allows USI to assume the lease, such as on default by Franchisee, that right will not be recorded against the real property unless and until that right is exercised; in which case USI's interest will be subordinated to the loan and will not include any attornment language.

2.2 Construction or Remodeling of Store and Premises

a. All construction or remodeling of the Store and the Premises, exterior and interior, including areas in Franchisee's control around the Store, must be in accordance with the standards and specifications of USI, as may be specified in the Operations Manual or other document delivered by USI to Franchisee, and any local governing body (i.e., city, county, etc.).

b. Any plans for changes to the landscaping of and parking space on the Premises (if under the control of Franchisee) must be approved by USI in writing before the plans are implemented.

2.3 Restricted Use of Premises

Franchisee shall not wholly or partially sublet the Premises without USI's prior written consent. The Premises may be used only for the operation of a Store in compliance with this Agreement, the lease for the Premises (if applicable), and the Operations Manual. Franchisee shall not conduct other businesses or activities on the Premises without USI's prior written consent.

2.4 Licenses and Permits

Before the commencement of operations, Franchisee shall obtain all licenses and permits necessary to acquire and operate the Store, including all business licenses and health code licenses or permits. USI shall assist Franchisee with obtaining such licenses and permits, which assistance will be

limited to providing Franchisee with information on the types of licenses and permits required and the name of the agency from whom such licenses or permits are obtained (if known to USI).

2.5 Commencement of Operations

Unless otherwise agreed in writing by USI and Franchisee, Franchisee has one year from the date of this Agreement within which to complete the initial training program, described in Section 6.1 of this Agreement, develop the Franchised Location and commence operation of the USI Store. Failure to commence operations within this time frame shall constitute grounds for termination under Article 5 of this Agreement. USI will extend the time in which Franchisee has to commence operations for a reasonable period of time in the event factors beyond Franchisee's reasonable control prevent Franchisee from meeting this development schedule, so long as Franchisee has made reasonable and continuing efforts to comply with such development obligations and Franchisee requests, in writing, an extension of time in which to have its USI Store established before such development period lapses. However, notwithstanding USI's written agreement to extend Franchisee's development period, if more than 270 days elapse between the date of this Agreement and the commencement of operation of the USI Store, USI reserves the right, in its sole discretion, to require Franchisee to execute USI's then current form of Franchise Agreement or an amendment to this Agreement to conform this Agreement with the terms of the then current Franchise Agreement.

2.6 Food, Beverages and Supplies

a. USI will provide Franchisee with information about food and beverage items that USI approves for sale in Stores. Franchisee must offer in the Store all food, beverage, and other items, and all services, USI specifies from time to time. Franchisee shall not offer, sell, or serve in its Store any food, beverage, or other items, or services, not approved by USI in writing. Franchisee shall use only ingredients and supplies that are in compliance with the standards as set forth in the Operations Manual or other documents provided by USI, as they presently exist or exist in the future. Franchisee shall purchase only from approved suppliers, which may include USI or an affiliate of USI, all of Franchisee's requirements for supplies, food, or beverage items as specified in the Operations Manual, or other documents provided by USI, as they presently exist or exist in the future. USI may conduct testing and sampling of food or beverages at the Store to better assure quality and taste control.

b. USI may from time to time designate one or more exclusive suppliers of trademarked supplies or goods sold in the Store. Franchisee must purchase all items of the type designated that are sold or used by its Store from the exclusive supplier or suppliers, as specified by USI.

2.7 Equipment and Signs

a. Unless otherwise approved of by USI in writing, and except as specified in this Agreement, Franchisee must acquire all equipment, fixtures, furniture, and signs used in the operation of the Store from suppliers approved by USI, which may include USI or an affiliate of USI.

b. Franchisee must purchase or lease and use in the Store an electronic cash register system meeting USI's specifications. USI may change the components of the required cash register system or convert to another system, and Franchisee agrees to make the change or conversion. If USI requires Franchisee to change the components of the system, it will allow Franchisee not fewer than 30 days to make the change. If USI requires Franchisee to convert to a different system, it will allow Franchisee not fewer than 90 days to make the conversion.

c. Franchisee must purchase or lease and use in the Store a computer system (separate from the electronic cash register system) meeting USI's specifications. USI may change the specifications for the computer system. If USI changes the specifications for the computer system, it will allow Franchisee

not fewer than 30 days to obtain a new computer and computer peripherals that meet the new specifications.

d. Franchisee must obtain and maintain during the term of this Agreement annual maintenance agreements for the electronic cash register system and computer system that meet USI's specifications.

e. Franchisee understands and agrees that USI has the ability to receive sales information electronically from Franchisee's electronic cash register system. In addition, Franchisee understands and agrees that USI has the right, at any time, to establish a system to independently access Franchisee's sales information through the electronic cash register system. Franchisee understands and agrees that USI has the right, at any time, to establish a system to independently access all information in Franchisee's computer system used in the Store.

f. Franchisee is required to purchase or obtain an accounting system and computer software as specified by USI from time to time in the Operations Manual or in other notifications from USI to Franchisee. USI may in the future develop, or cause to be developed, proprietary software of USI, require Franchisee to enter into a license agreement with USI (in a form specified by USI) for a license to use that software, and require Franchisee to use that software in its franchised business.

g. Franchisee must obtain and maintain high-speed Internet access, which includes the ability to send and receive electronic mail over the Internet, from a service provider meeting the minimum specifications established from time to time by USI.

h. USI shall provide Franchisee with a list of designated and approved suppliers, and approved products and services to be sold and used in the Store; and advice with respect to USI specifications.

2.8 Operations Manual

a. USI will loan to Franchisee during the term of this Agreement a copy of the USI "**Operations Manual**," which may consist of one or more manuals, binders, bulletins, or other written materials, and which is formally incorporated as part of this Agreement by reference. At all times, Franchisee will strictly comply with the procedures, standards and specifications, and other provisions set forth in the Operations Manual. Franchisee shall not offer anything in or from the Store that is not authorized by the Operations Manual or otherwise approved by USI. The Operations Manual must be returned to USI, as stated below, upon termination or expiration of this Agreement.

b. USI has the right to make changes to the Operations Manual, and Franchisee agrees to update its Operations Manual with, abide by and incorporate into its Store operations, any such changes within 30 days of notice of such changes.

2.9 Training; Opening Team

a. USI will provide an initial training program for the System, as described in the Franchise Disclosure Document provided by USI to Franchisee (the "**Initial Training Program**"), for to up to two individuals associated with Franchisee, without a tuition charge. The Initial Training Program attendees must include Franchisee, if Franchisee is an individual who will participate personally in the direct operation of the franchised business, or a person designated by Franchisee to assume primary responsibility for the overall management of the Store (the "**General Manager**"). That person must be certified by USI, in USI's sole determination, as having successfully completed the Initial Training Program ("**Certified**"). USI recommends that in addition to the Store manager, one or more assistant managers also attend the Initial Training Program. The Initial Training Program will be provided to

Franchisee at USI's headquarters, or by webinar or other remote method, if circumstances warrant, in USI's sole discretion.

b. USI will make the Initial Training Program available to other members of Franchisee's management staff during the term of the Franchise Agreement, when space is available in a regularly scheduled program. The training is provided at USI's then-current rate.

c. All expenses for travel, lodging, meals, wages and other expenses of individuals attending the Initial Training Program must be paid by Franchisee or the attendee. USI will not pay or reimburse Franchisee or any attendee for expenses incurred in attending the training program.

d. USI must be notified of the identity of the General Manager, and unless Franchisee is only one individual and the Store will be managed by Franchisee, USI has the right to approve or disapprove of the General Manager. The General Manager must be able to read, write, and speak English well enough to communicate fluently with customers and with representatives of USI, and must also be Certified by USI. If Franchisee owns more than one Store, each of Franchisee's Stores must have its own General Manager, who is approved by USI and is Certified.

e. If a change in the General Manager of the Store occurs, USI must be notified of the identity of the new General Manager, and USI has the right to approve of the General Manager. That person must be able to read, write, and speak English well enough to communicate fluently with customers and with representatives of USI, and also be Certified within 90 days of becoming the General Manager.

f. A final examination will be given at the end of the Initial Training Program to determine whether an attendee will be Certified.

g. Franchisee acknowledges and agrees that USI may modify the Initial Training Program from time to time.

h. Prior to attending the Initial Training Program, each individual affiliated with Franchisee must execute a nondisclosure and noncompetition agreement in a form provided by USI.

i. USI may, but is not obligated to, present seminars, national or regional conventions, continuing development programs, or other meetings. Some of these may be voluntary, and in that situation, the attendance of Franchisee or its General Manager (as applicable) is not required. However, Franchisee or its General Manager (as applicable) must attend any mandatory seminars, programs, or meetings USI conducts, not to exceed one of these programs per year. USI will give Franchisee at least 30 days prior written notice of any seminar, convention, program, or meeting that is mandatory. USI may hold additional trainings, meetings or conventions by webinar or other remote method if circumstances warrant, in USI's sole discretion. All mandatory programs will be offered without a tuition charge if USI conducts the program. However, USI may allocate the costs incurred in holding the training programs, seminars, conventions, or meetings, including expenses for the facility, materials, food, or activities that are associated with attendance at these programs, equally among the training program attendees. Franchisee will be responsible for the cost of all transportation, lodging, meals, and other expenses of persons associated with Franchisee while attending these programs. If Franchisee or its General Manager (as applicable) fails to attend a program at which attendance is deemed mandatory, USI may, without waiving any other rights, require Franchisee or its General Manager (as applicable) to attend and complete a make-up or alternative program at a location determined by USI, and Franchisee will be responsible for the costs of the make-up program.

j. Franchisee agrees that Franchisee or its General Manager, and the Store manager(s), assistant manager(s), and its staff (if the manager(s) and assistant manager(s) is/are a person(s) other than

Franchisee or the General Manager) will participate in any other continuing training program provided by USI through the medium of inspections, bulletins, manuals, and other literature; and that they will comply with the directives and instructions contained in those documents or delivered during or after inspections.

k. Except as specified below, USI will furnish to Franchisee, at USI's expense, an **"Opening Team"** of two representatives of USI, for up to three days as determined by USI to be appropriate, to assist in the training of Franchisee's employees and in establishing local procedures for the Store. This assistance is furnished at the Store immediately prior to and during the initial opening of the Store.

2.10 Confidentiality and Covenant Against Competition

a. Franchisee acknowledges that much of the information imparted to Franchisee by USI is confidential, constitutes trade secrets and remains the sole exclusive property of USI. Confidential information includes: (1) ingredients, recipes, and methods of preparation of food and beverages; (2) methods of operation of Stores; (3) information about products, services, or procedures before they become public knowledge; and (4) other information disclosed to Franchisee through confidential notifications and the Operations Manual. Franchisee further acknowledges that USI's confidential information and trade secrets are unique to Franchisee. Franchisee shall not disclose any such information, except as authorized by USI. Franchisee shall return all materials such as the Operations Manual, recipes, menus, brochures and the like, and other materials received from USI, to USI upon the expiration or termination of this Agreement for any cause.

b. Before disclosing confidential information or trade secrets to its employees or other representatives, Franchisee shall require those people to sign confidentiality agreements in a form supplied by, or approved by, USI, binding those people not to disclose the information except as may be authorized in the agreement. Franchisee agrees it will take all steps necessary, at Franchisee's own expense, to protect the confidential information and trade secrets mentioned in this Agreement. Neither Franchisee nor any employee of Franchisee will divulge this information to anyone without USI's prior written consent.

c. During the term of this Agreement, and for a period of two years after its expiration or termination for any reason, Franchisee shall not engage in any business In Competition with any Store. The provisions of this Agreement bind Franchisee in any capacity, including as a franchisor, franchisee, sole proprietor, officer, director, partner, limited liability company manager or member, stockholder or employee. Notwithstanding the prior sentences, Franchisee will not be prohibited from owning securities in a similar business if the securities are listed on a stock exchange or publicly traded on the over-the-counter market and represent not more than two percent of the total securities of that entity issued and outstanding. For purposes of this provision, **"In Competition"** means the franchising or operation of a business similar to a Store (including any business offering yogurt or other frozen dessert products for sale) at the Premises, or within a geographical area consisting of: (1) during the term of this Agreement, anywhere else; and (2) after termination of this Agreement, a three mile radius from the location of any Store, (including the Store(s) owned or formerly owned by Franchisee). The term "Store" includes all Stores operating under any of the Proprietary Marks as of the Effective Date of this Agreement, and also the Stores established at a later date. The term of this covenant will be extended by any time consumed in litigation or arbitration to enforce it, in both trial and appellate courts, if applicable.

d. During the term of this Agreement, and for a period of two years after its expiration or termination for any reason, Franchisee shall not divert or attempt to divert any business, customers, or potential customers of the System to any competitor, by direct or indirect inducement or otherwise. In addition, Franchisee shall not at any time do or perform any act, directly or indirectly, which harms the goodwill or reputation of the System.

e. If a court or arbitrator of competent jurisdiction determines that restrictions in Section 2.10.c or Section 2.10.d above are excessive in time, geographic scope, or otherwise, the court or arbitrator may reduce the restriction to the level that provides the maximum restriction allowed by law.

2.11 Operating Standards

a. Franchisee (if Franchisee is one or more individuals) or the General Manager must personally participate in the direct operation and management of the franchised business, and use his or her best efforts and constant personal attention in the day-to-day operations of the Store. Franchisee or the General Manager (as applicable) must live in the locality where the Store is located; or if multiple franchises are owned by the same Franchisee, Franchisee or the General Manager must live in the general area where the Stores are located.

b. Franchisee must operate the Store in accordance with USI's standards of food quality, cleanliness, and customer service; and Franchisee shall conduct and maintain the Premises so as not to distract from or interfere with the integrity and standards of USI. Franchisee shall at all times comply with the terms of this Agreement and the Operations Manual, as they presently exist or exist in the future; and all applicable laws, rules, ordinances, and regulations of governmental authorities pertaining to the operation of the Store. Franchisee must at all times maintain the building, equipment, fixtures, and furniture of the Store to the standards of USI.

c. Franchisee agrees to refrain from performing any act or engaging in any conduct, either directly or indirectly, which is or may be injurious or prejudicial to the good will associated with the Proprietary Marks or the System. Franchisee acknowledges that any such acts or conduct will cause irreparable harm to USI and the Proprietary Marks, and will entitle USI to seek and obtain injunctive relief.

d. Franchisee is solely responsible for the hiring of its employees to operate its Store. Franchisee will maintain at all times a staff of competent, trained employees sufficient to operate its Store in compliance with USI's standards and applicable law. Franchisee shall carefully screen all employees before employing them to ascertain their fitness for employment in the food service industry. If Franchisee learns, or if USI advises Franchisee that it has learned, that one or more employees cannot meet the standards imposed by all laws and regulations applicable to operation of the Store and employees of the Store in their capacities as employees, Franchisee shall proceed as follows: Franchisee shall promptly investigate the situation and promptly discharge the employee or employees if they are in violation of any of those laws and/or regulations; unless Franchisee reasonably believes that discharging the employee under the applicable circumstances will, or is likely to, violate any applicable laws or regulations. Franchisee must, however, still be in full compliance with this Agreement.

e. Franchisee shall operate the Store in compliance with all applicable laws, rules, ordinances and regulations, including all such laws, rules, ordinances and regulations related to health and safety. Franchisee shall notify USI of, and shall promptly correct, any such health and safety violations. In the case of any health or safety law violation, or a violation of any health or safety standard of USI, USI may require Franchisee to close the Store until the violation(s) are cured, and/or terminate this Agreement, in accordance with Section 5.2 below.

f. At Franchisee's expense, Franchisee must maintain at all times during the term of this Agreement a dedicated business telephone line for the Store.

2.12 Advertising Obligations

a. At all times, Franchisee shall operate the franchised business under the trade name specified in the Addendum unless advised otherwise in writing by USI; and Franchisee shall advertise the Store and its services on a scale consistent with the volume of business and in keeping with reasonable business practices. Each month, Franchisee must spend at least an amount equal to one percent of its Net Sales from the prior month on advertising in the area where the Store is located (the “**Local Advertising Expenditure**”). The Local Advertising Expenditure will, however, be reduced proportionately, but to not less than 0%, by any amount that USI requires Franchisee to contribute to an Advertising Cooperative (as defined below).

b. Franchisee may create and place its own advertising and promotional materials at its own expense; however, all advertising, including any pages on the Internet, and promotions and the target audience, must be approved by USI in writing before Franchisee uses them, and they must comply with USI’s standards. USI may notify Franchisee of advertising approval or rejection by facsimile or electronic mail (if Franchisee has provided a facsimile number or electronic mail address to USI), in addition to other means permitted by this Agreement. If USI does not notify Franchisee of its approval or rejection of any advertising or promotional materials within 15 days after they are received by USI, they will be deemed approved. Franchisee must, however, discontinue use of any advertising and promotional materials if instructed to do so by USI.

c. Except for the time periods in which Franchisee is participating in an Advertising Cooperative and paying all of its Local Advertising Expenditure to the Advertising Cooperative, Franchisee must keep records of its expenditures on local advertising (such as invoices and receipts), make those records available for inspection by USI, as specified in Section 2.13 and Section 2.14 of this Agreement. If requested to do so by USI, Franchisee shall submit to USI within 15 days after the end of each month proof of Franchisee’s local advertising expenditures during the prior month.

d. Franchisee, in participating in advertising programs designated by USI, must utilize only approved formats.

e. A dominant marketing area (a “**DMA**”) is a metropolitan market where the local radio and television coverage encompasses multiple locations of Stores. If the Store is located in a DMA, and if USI establishes a regional advertising program (an “**Advertising Cooperative**”) for the benefit of Stores located in that DMA, Franchisee will be required to be member of the Advertising Cooperative. In that situation, USI will direct Franchisee to pay to the Advertising Cooperative each month an amount equal to up to three percent of its Net Sales from the prior month. Franchisee will not be required to spend more than three percent of its Net Sales on advertising, so all or a part of Franchisee’s Local Advertising Expenditure and/or Advertising Fund Fee (as defined below), may be eliminated or redirected. USI may establish other requirements for an Advertising Cooperative, and Franchisee must comply with those requirements, but no such requirements will conflict with the provisions of this Agreement.

f. USI has established one national advertising fund for all brands included in the definition of “Stores” in the United States (the “**Advertising Fund**”). USI may, but is not required to, deposit rebates from certain suppliers into the Advertising Fund based on purchases of products by USI’s franchisees. In addition to the advertising obligations described above in this Agreement, Franchisee shall pay each week to USI, or if instructed to do so by USI, directly into the Advertising Fund, an amount equal to one percent of Franchisee’s Net Sales from the prior week (the “**Advertising Fund Fee**”). The Advertising Fund Fee will be reduced proportionately by the amount USI requires Franchisee to contribute to an Advertising Cooperative, but to not less than 0%. Funds paid by Franchisee pursuant to this provision will be kept in a separate Advertising Fund account, apart from other funds of USI; except for the reimbursement of USI costs and expenses related to the administration of the Advertising

Fund by USI, as mentioned below. Each payment must be made by Franchisee with its weekly Royalty Fee payment (as described in Section 1.6 above), and received by USI, or if applicable, the Advertising Fund, no later than Wednesday of each week, for the prior week.

g. The Advertising Fund proceeds may be used for researching, preparing, maintaining, administering, and directing advertising and promotional materials and public relations programs, including production of commercial print, radio, television, magazine, newspaper, Internet advertising, direct response literature, direct mailings, brochures, collateral material advertising, surveys of advertising effectiveness, and other advertising or public relations expenditures. USI may reimburse itself from the Advertising Fund for administrative costs, including the salaries of USI employees administering the advertising services, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and all other reasonable direct or indirect expenses that USI or its authorized representatives incur with the programs funded by the Advertising Fund. USI may establish an in-house advertising department or form an affiliated company to place advertisements using the Advertising Fund, and to charge for performing advertising services up to the highest rate charged for similar services by any recognized advertising agency not owned in whole or in part by USI or its officers, directors, or employees.

h. USI does not guarantee that advertising expenditures from the Advertising Fund will benefit Franchisee or any other franchisee directly or on a pro rata basis. USI is not obligated to spend money from the Advertising Fund on advertising in the geographical area in which the Store is located. Except as described in this Agreement, USI assumes no direct or indirect liability or obligation to collect amounts owed to the Advertising Fund, or to maintain, direct, or administer the Advertising Fund.

i. Money in the Advertising Fund not spent in any fiscal year will be carried forward to the following fiscal year. None of the fees in the Advertising Fund will be used for advertising that is principally a solicitation for the sale of franchises, but advertising may include a telephone number, website address, and/or an electronic mail address for interested parties to contact USI concerning franchise opportunities.

j. Upon request by Franchisee, USI will make available to Franchisee, no later than 90 days after the end of each fiscal year of USI, an unaudited financial statement for the Advertising Fund that shows how amounts in the Advertising Fund have been spent during the prior year.

k. Franchisee must spend at least \$5,000 on advertising and promotion prior to, and in connection with, the grand opening of the Store, according to guidelines provided to Franchisee by USI. This expenditure is in addition to the Local Advertising Expenditure.

l. USI shall make available to Franchisee the advertising and promotional materials and other marketing information that USI may develop and make available to its franchisees generally. USI may pass the costs of these materials to Franchisee by charging Franchisee for the use or purchase of the materials or information.

m. During the term of this Agreement, Franchisee must obtain and maintain, at its expense, a listing in one or more online telephone directories specified or approved by USI.

2.13 Right to Inspect

Representatives or designees of USI have the right to enter and examine or inspect the Store and the Premises during business hours and at other times agreeable to Franchisee. At the time of any such examination or inspection, USI or its representatives or designees may give advice and assistance to Franchisee related to the management and operation of the Store. Franchisee must promptly remedy any deficiency found by the inspector. At all times, representatives and designees of USI must be given free

access to Franchisee's books and records pertaining to the franchised business; and they may audit those books and records if USI, in its sole determination, deems an audit necessary or desirable. Representatives or designees of USI may conduct such tests and inspections as they deem necessary or desirable to verify Net Sales and compliance with this Agreement. If an inspection or audit is undertaken because of Franchisee's failure to submit to USI reports required by this Agreement or the Operations Manual, if Franchisee does not cooperate with USI in any inspection or audit, or if any inspection or audit reveals that Franchisee has underreported Net Sales by more than three percent, Franchisee shall, within 30 days, pay to USI or reimburse USI for: (1) all of the costs and expenses incurred by USI or its representatives or designees in conducting the audit or inspection, including attorneys' and accountants' fees and costs; (2) all unpaid Royalty Fees, Advertising Fund Fees and/or other amounts owed to USI or any Advertising Fund; and (3) interest from the date payment was due at a rate of the lesser of one and one-half percent per month or the highest rate permitted by law. These payments will be without prejudice to any other remedies USI may have under this Agreement or applicable law, including the right to terminate this Agreement, without opportunity to cure, in the case of intentional underreporting of Net Sales.

2.14 Books, Records and Reports

USI will provide to Franchisee information regarding the record keeping systems to be used by Franchisee in the Store. Franchisee shall keep full, complete, and accurate books and accounts in accordance with U. S. generally accepted accounting principles, and in the form and manner prescribed below or as from time to time further prescribed by USI. Franchisee agrees to submit reports and data to USI electronically if USI advises Franchisee to do so. Franchisee agrees to do all of the following:

a. Submit to USI on a USI-approved form: (1) on or before Tuesday of each week, a signed report of Net Sales during the prior week; and (2) on or before the fifth day of each month, a signed report of Net Sales during the preceding calendar month.

b. Submit to USI, on or before the fifth day of each month, on a USI-approved form, a profit and loss statement for the Store for the preceding calendar month, prepared in accordance with U. S. generally accepted accounting principles.

c. Submit to USI on a USI-approved form, within 45 days after the end of each calendar year, commencing with the Effective Date of this Agreement, a profit and loss statement for the year and a balance sheet (including a statement of retained earnings or partnership account) as of the end of the period. Annual financial statements must be certified by an independent accountant that is acceptable to USI.

d. Submit to USI, at the times required, such other periodic forms, reports, and information as may from time to time be prescribed by USI.

e. Preserve, in the English language and for the time periods set forth below, all accounting records and supporting documents relating to the Franchisee's operation of the Store (referred to below as the "**Records**"), including:

1. daily cash reports;
2. cash receipts journal and general ledger;
3. cash disbursements journal and weekly payroll register;
4. monthly bank statements, and daily deposit slips and canceled checks;

5. all tax returns, including personal returns of Franchisee, if Franchisee is one or more individuals, or of Franchisee's shareholders, limited liability company members, partners, or other owners (as applicable) if Franchisee is an entity;

6. suppliers' invoices (paid and unpaid);

7. dated cash register tapes (detailed and summary);

8. daily production, throwaway, and finishing records, and weekly inventories;

9. records of promotion and coupon redemptions;

10. records of all outside sales;

11. records of local advertising expenditures, as specified above; and

12. such other records as USI may from time to time request.

f. Record all sales on an electronic cash register system meeting the standards and specifications of USI.

g. File all federal and state tax returns of Franchisee on a timely basis, and provide copies of them to USI. USI may require that tax returns from all shareholders, limited liability company members, partners, or other owners of Franchisee be provided to USI, if Franchisee is other than an individual.

h. During the term of this Agreement, Franchisee shall preserve the Records for at least its current fiscal year and for the three immediately preceding fiscal years. For three years after the date of any transfer of an interest in this Agreement, the transferor of such interest will preserve the Records for its last three fiscal years of operation under this Agreement. For three years after the expiration of the term of this Agreement (or after any earlier termination) Franchisee shall preserve the Records for its last three fiscal years of operation under this Agreement.

2.15 Continued Operation of Business

After Franchisee has begun full operation of the Store, Franchisee may not discontinue full operation of the Store without USI's prior written consent. If USI, in its sole discretion, consents to a temporary discontinuance of operation, then Franchisee must reopen the Store no later than the date designated by USI in its written consent.

2.16 Hours of Operation

Except with the prior written consent of USI, which consent will not be unreasonably withheld in the case of requirements imposed by the landlord of leased premises for the Store, Franchisee shall keep the Store open for business to the public and lighted and staffed seven days per week, at least from 11:00 a.m. to 11:00 p.m. Sunday through Thursday, and 11:00 a.m. to midnight Friday and Saturday, excluding Christmas Day; or during such other hours as USI may designate from time to time in the Operations Manual.

2.17 Additional Assistance of USI

a. Upon the reasonable request of Franchisee, USI will consult with Franchisee by telephone, or electronic mail regarding the management, operation, and marketing of the Store.

b. At USI's sole option, upon Franchisee's reasonable request, USI may send one or more USI representatives to the Store (other than as part of a scheduled inspection) to view Franchisee's operations and provide advice concerning the management, operation, and/or marketing of the Store.

2.18 Enhancements Developed by Franchisee

If Franchisee or any of its officers, directors, partners, limited liability company managers or members, employees, agents or representatives (as applicable), develop, enhance, or otherwise improve any aspect of, or related to, the Store or the System (including the development of, or seeking approval to offer, any new food or beverage items), any and all plans, methods, recipes, ideas, and/or systems related to the development, enhancement, or other improvement (collectively, the "**Enhancement**") will be solely owned by USI and will inure to the benefit of USI, and may become part of the System. USI may, in USI's sole determination, use the Enhancement in its business and make it available to other franchisees of USI.

3. ASSIGNMENT, SALE OR TRANSFER

3.1 Prior Consent of USI to Transfer

a. USI is entering into this Agreement based upon the Franchisee's representations made in a franchise application. Therefore, this Agreement and all the rights granted by it are personal to Franchisee, and Franchisee shall not voluntarily or involuntarily Transfer (as defined below) this Agreement or any interest hereunder, any interest in the ownership of Franchisee, or all or a substantial portion of the assets of the Store, without the prior written consent of USI. Any attempt to Transfer this Agreement, any right under this Agreement, any interest in any entity holding an interest in this Agreement, or all or a substantial portion of the assets of the Store, without the prior written consent of USI, will be null and void; and will give USI the right to terminate this Agreement and Franchisee's rights under it, in addition to any remedies that USI may have for the breach of this covenant by reason of a Transfer.

b. In this Agreement, a "**Transfer**" is defined to include Franchisee's voluntary, involuntary, direct or indirect (1) sale, assignment, gift, exchange, merger, consolidation, or other transfer of this Agreement, the Store, all or a substantial portion of the assets of the Store, or any of the rights or obligations granted by this Agreement; and (2) any act or circumstance by which ownership or control is shifted in whole or in part from any individual or entity to another; including, if Franchisee is a corporation, partnership, limited liability company or other business entity, any changes in the present ownership of the stock, partnership interests, membership interests, or other ownership interests of Franchisee (in existence as of the Effective Date of this Agreement) or the issuance of additional stock, partnership interests, membership interests, or other ownership interests of Franchisee.

c. USI shall not unreasonably withhold its consent to a Transfer, provided that: (1) the proposed transferee meets all the conditions for consent by USI to a Transfer, as stated below in this Agreement; and (2) it is demonstrated to the satisfaction of USI that the proposed transferee can perform and comply with Franchisee's obligations under this Agreement, or the current form of agreement then required of new franchisees (the choice of which form of agreement applies to be made solely by USI).

3.2 Advance Notice of Proposed Terms and Right of First Refusal

a. If Franchisee, or any shareholder, member, or partner of Franchisee, has received and desires to accept a signed bona fide written offer from a third party to purchase Franchisee's rights under this Agreement, or any part of them, then before making any binding commitment regarding such Transfer, Franchisee shall notify USI, which notice must include a complete copy of the offer, and for every proposed transferee: (1) Name, address, electronic mail address, and telephone number; (2)

business experience and present occupation; (3) a recent financial statement; and (4) any other information USI may reasonably request. Franchisee must also include information as to the identity of all who will own an interest in this Agreement or in the franchised business after the completion of the Transfer, their respective interests, and the proposed terms and conditions of sale and payment.

b. USI will have the right and option, exercisable within 30 days after the date USI receives its copy of the offer and all information specified in Section 3.2.a, to purchase the interest proposed to be transferred at the price and upon the same terms and conditions specified in the notice; provided, however, that if the consideration in the offer includes stock or anything other than money, USI may substitute the fair value of that consideration. Notwithstanding the language above, if Franchisee or any shareholder, member, or partner of Franchisee desires to Transfer less than all the ownership of the franchised business, USI will not have the right to purchase that partial interest.

c. If USI does not exercise this option, and the terms of the unaccepted offer are altered, USI must, in each such instance, be notified by Franchisee of the changed offer; and USI will again have 30 days to exercise its right to purchase on the altered terms. If USI does not exercise its option, then the Transfer may take place on the terms and price set forth in the offer; provided (1) USI gives its written consent, (2) the Transfer takes place no later than six months from receipt of USI's written waiver of its right to exercise its option to purchase, and (3) all the conditions set forth in Section 3.3 below are satisfied.

3.3 Conditions of Consent to Transfer

If a Transfer of all or a partial interest in this Agreement or in the Store is proposed and USI does not exercise its right to purchase as provided for above, then USI will consent to the Transfer provided that all of the following conditions are satisfied or waived by USI:

a. Transferee, consisting of the individuals comprising transferee or a business entity that will own the franchise, as applicable (“**Transferee**”), is financially acceptable, is not associated with a competitor of USI, has no conflicting interests, is of good moral character and reputation, and meets USI's other criteria and conditions that USI applies to new franchisees.

b. Following an analysis of the terms and conditions of the proposed Transfer, USI, in its sole opinion, concludes that the terms and conditions of the agreement between Franchisee and Transferee will not interfere with the financial feasibility or future operation of the franchise, including that the Transferee will be able to cover the costs of purchasing the franchise and operating the franchise.

c. Franchisee or Transferee pays to USI the “**Transfer Fee**” of \$10,000 and the “**Training Fee**” of \$1,000. If Transferee is an existing USI franchisee who has successfully completed the Initial Training Program, USI may waive the requirement that Transferee pay the Training Fee and attend the Initial Training Program. In that situation, Transferee must still pay the Transfer Fee. If Transferee elects to attend the Initial Training Program despite the requirement being waived, then Transferee must pay the Training Fee. No Transfer Fee or Training Fee will be assessed if Franchisee is an individual transferring this Agreement to an entity wholly owned by Franchisee.

d. Transferee satisfactorily completes the then-current Initial Training Program provided by USI and becomes Certified.

e. Transferee enters into all current forms of agreement then being required of new franchisees, except Transferee will not pay an initial franchise fee. Unless a longer period is agreed upon between USI and Transferee, the term of Transferee's franchise agreement will be for the unexpired term of this Agreement.

f. All obligations of Franchisee under this Agreement are fully paid and satisfied, and Franchisee is not in default under any provisions of this Agreement or any other agreement with USI.

g. Franchisee and Transferee enter into a written assignment of the franchise, in a form provided by USI, and a consent to transfer agreement with USI which includes (except where prohibited by law) a release by Franchisee of all claims against USI.

h. Transferee agrees to complete all remodeling and improvements as may be required by USI, within the time period specified by USI.

i. Franchisee and Transferee agree not to assert any security interest, lien, claim, or right now or in the future in this franchise, or the franchise granted to Transferee. Any security interest, lien, claim, or right asserted with respect to any personal property at the Store must not include any after-acquired property and must be subject, junior, and subordinate to any security interest, lien, claim, or right now or in the future asserted by USI, its successors or assigns.

3.4 Death or Incapacity of Franchisee

a. In the event of the death or Incapacity (defined below) of Franchisee, if Franchisee is an individual, or of any shareholder, partner, or limited liability company member in a Franchisee that is a business entity, the legal representative of the individual Franchisee, or of the surviving shareholders, partners, or members in the case of a business entity, may for a period of 90 days from the date of death or incapacitation continue to operate the franchise, provided that the operation is conducted in accordance with the terms of this Agreement and any other agreements with USI. In this Agreement, “**Incapacity**” means a mental or physical disability, impairment, or other condition that is reasonably expected to prevent or actually does prevent Franchisee, if Franchisee is an individual, or an owner of a 40% or more interest in Franchisee, if Franchisee is a business entity, from supervising the management and operation of the franchised business for a period of at least four months from the onset of the disability, impairment, or condition.

b. If a representative of Franchisee desires to continue the operation of the franchise beyond the 90 day period, then prior to the expiration of this period, the legal representative of the individual Franchisee or the shareholder, partner, or member of Franchisee must apply, in writing, jointly with all surviving shareholders, partners, or members for the right to transfer the franchise (or the interest of the deceased or incapacitated shareholder, partner, or member in the franchise in the case of a business entity), to the person or persons (whether spouse, heir, devisee, purchaser, surviving shareholder, partner, member, or any other person), as the legal representative and the surviving shareholders, partners, or members may specify. The application for Transfer will be treated in the same manner as any other proposed transfer under this Agreement.

c. If the legal representative and all surviving shareholders, partners, or members (if any) do not comply with the provisions of the preceding paragraph, or do not propose a transferee acceptable to USI under the standards set forth in this Agreement, all rights licensed to Franchisee under this Agreement will terminate immediately and automatically revert to USI. USI will have the right and option, exercisable upon the termination of this Agreement, to purchase all assets of Franchisee related to the franchise at a price to be agreed upon by the parties, or if no agreement as to price is reached by the parties, at the price as determined by a qualified appraiser, approved by both parties, such approval not to be unreasonably withheld. USI will give notice of its intent to exercise the option no later than 21 days following termination.

3.5 Transfer by USI; Delegation of Duties

a. USI has the right to assign or otherwise transfer this Agreement to any person or entity that agrees to assume its obligations under this Agreement. Upon an assignment and assumption, USI will be under no further obligation under this Agreement, except for accrued liabilities, if any.

b. USI has the right to delegate any of its duties under this Agreement to a third party it deems capable of performing the delegated duties.

4. INDEMNIFICATION AND INSURANCE

4.1 Indemnity

Franchisee shall indemnify and hold USI and its affiliates (if any), and their respective officers, directors, shareholders, limited liability company managers and members, employees, representatives and agents (as applicable), harmless from and against all fines, suits, proceedings, claims, causes of action, demands or liabilities of any kind or any nature arising out of, or in connection with, the operation of the Store governed by this Agreement or arising out of the use of the Proprietary Marks and the System in any manner not in accordance with this Agreement.

4.2 Insurance

a. Franchisee, at its sole expense, must at all times keep in force an insurance policy or policies insuring Franchisee and USI, and its officers, directors, shareholders, and employees, against any and all loss, liability, or expense whatsoever, arising from the ownership or operation of the Store or this franchise. The policies must have limits as may be from time to time prescribed by USI, but not less than \$2,000,000 per occurrence/aggregate. This insurance must include, without limitation, coverage of product liability, fire, personal injury, death, and property damage. A certificate of insurance, evidencing coverage amounts and proof of payment of premium, together with proof of renewal when applicable, must be promptly furnished to USI by Franchisee. All policies must (1) provide that they can be canceled only after at least 30 days prior written notice to Franchisee and USI; (2) include USI as an additional insured; (3) contain provisions denying to the insurer the acquisition by subrogation of rights of recovery against USI; and (4) provide that coverage is not limited in any way by reason of any insurance that may be maintained by USI.

b. Franchisee must also, at its sole expense, at all times keep in force unemployment and workers' compensation insurance sufficient to meet the requirements of applicable law.

5. DEFAULT AND TERMINATION OF FRANCHISEE

5.1 Immediate Termination by USI

USI will have the right, at its option, to terminate this Agreement and all rights granted to Franchisee under this Agreement, without affording Franchisee any opportunity to cure the default (subject to any state laws to the contrary, where state law prevails), effective upon notice from USI, upon the occurrence of any of the following events:

a. Franchisee or any person under Franchisee's control, intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents of or any part of USI's Operations Manuals or any other trade secrets or confidential information of USI.

b. Franchisee ceases to operate the Store or otherwise abandons the Store for a period of five consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation

of the Store, unless: (1) operation of the Store is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee; or (2) USI had agreed in advance to a temporary discontinuation of operation of the Store and the period of time has not expired.

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

d. Any material judgment (or several judgments that in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Store or any of the property used in the operation of the Store and is not discharged within five days; or if the real or personal property of the Store is sold after levy thereupon by any sheriff, marshal or constable.

e. Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of USI, to materially and unfavorably affect the System, the Proprietary Marks, or the associated goodwill and reputation thereof.

f. Franchisee has received three or more notices of default from USI during the term of this Agreement, regardless of whether the defaults were cured by Franchisee.

g. Franchisee sells, transfers or otherwise assigns the Store, an interest in the Franchisee entity, this Agreement, or a substantial portion of the assets of the Store owned by Franchisee, without complying with the transfer provisions in this Agreement.

h. Franchisee makes a material misrepresentation in an application given to USI (including in a financial statement given to USI in connection with the application for this franchise); or Franchisee knowingly or recklessly (in USI's determination) makes a material misrepresentation in any other record or written document provided to USI, including intentional underreporting of Net Sales.

i. Franchisee or any officer, director, shareholder, limited liability company manager or member, partner, or other owner of Franchisee (as applicable) becomes subject to U.S. Executive Order 13224.

j. Franchisee fails to pay any amounts due to USI or its affiliates, including any amounts which may be due as a result of any subleases or lease assignments between the Franchisee and USI, within 10 days of receiving notice that such fees or amounts are overdue.

k. Franchisee misuses or fails to follow USI's directions and guidelines concerning use of USI's Marks and fails to correct the misuse or failure within 10 days after notification from USI.

5.2 Twenty-Four Hour Cure Period

USI has the right to terminate this Agreement if Franchisee is in violation of any health or safety law, regulation, or ordinance, any order of any governmental agency, or any health or safety standard of USI, and Franchisee fails to cure the default within 24 hours after written notice from USI. If USI, in its sole determination, considers the problem to be of a serious nature, USI may require Franchisee to immediately correct the problem, or to cease operating until the problem is corrected; subject to USI's right to terminate this Agreement as stated in this Section 5.2.

5.3 Ten-Day Cure Period

USI has the right to terminate this Agreement upon the occurrence of either of the following events, if Franchisee fails to cure the default within 10 days after written notice from USI:

- a. Franchisee fails to pay when due any amounts owed to USI or its affiliates, any Advertising Fund, or any Advertising Cooperative.
- b. Franchisee fails to provide to USI or its affiliates, if any, any required reports when due.

5.4 Thirty-Day Notice

USI has the right to terminate this Agreement if Franchisee breaches any other provision of this Agreement and fails to cure the breach within 30 days after written notice from USI; provided that if the breach cannot be cured, USI may terminate this Agreement immediately upon written notice to Franchisee.

5.5 Diligent Pursuit of Cure

If a breach under Section 5.2, Section 5.3, or Section 5.4 is curable, but is of a nature that it cannot reasonably be cured within the stated cure period, and Franchisee has commenced a cure during the cure period and is continuing to make good faith efforts to promptly cure the breach, USI may (at its sole option) provide Franchisee an additional reasonable period of time (in USI's sole determination) to cure the breach, and in that situation this Agreement will not terminate without written notice from USI.

5.6 Statutory Cure Period

If a statute in the state in which the Store is located requires application of that state's law, and that state's statute requires a cure period for the applicable default that is longer than any cure period specified in this Article V, the statutory cure period will apply.

5.7 Specific Remedies

a. If Franchisee fails to remit when due any payments required under this Agreement, Franchisee agrees to pay, in addition to the unpaid amounts, all collection costs, reasonable attorneys' fees, and interest on the unpaid amounts at the lesser of 1 ½% per month or the highest rate permitted by applicable law. If Franchisee fails to cure any curable default, following notice and within the applicable time period set forth above, if any, or if this Agreement is terminated as a result of Franchisee's default, Franchisee shall pay to USI all damages, costs, and expenses; including, without limitation, interest at the lesser of 18% per annum or the highest rate permitted by applicable law, and reasonable attorneys' fees and costs incurred by USI as a result of the default or termination; and the interest and all damages, costs, and expenses, including reasonable attorneys' fees, may be included in and form part of the judgment awarded to USI in any proceedings brought by USI against Franchisee.

b. If USI requires Franchisee to immediately take corrective action or cease operations until a serious health or safety problem in or around the Store is remedied, USI may terminate this Agreement immediately upon notice to Franchisee if Franchisee fails to cease operations as required.

c. If Franchisee breaches or defaults in any of the terms of this Agreement, USI has the right to have a receiver appointed to take possession of, manage, and control the assets; collect the profits; and pay the net income for the operation of the franchise as ordered by a court of competent jurisdiction.

The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to Franchisee.

d. The remedies above are not exclusive, and either party may seek any other remedies as specified in this Agreement or as otherwise available by applicable law.

5.8 Right to Purchase

Upon termination or expiration of this Agreement for any reason, USI shall have the option to purchase some or all of the assets of the USI Store, which may include, at the USI's option, all of Franchisee's interest, if any, in and to the real estate upon which the USI Store is located, and all buildings and other improvements thereon, including leasehold interests, at fair market value, less any amount apportioned to the goodwill of the USI Store which is attributable to USI's Marks and Licensed Methods, and less any amounts owed to USI by Franchisee. The following additional terms shall apply to USI's exercise of this option:

a. USI's option hereunder shall be exercisable by providing Franchisee with written notice of its intention to exercise the option given to Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of this Agreement, in the case of non-renewal. Such notice shall include a description of the assets USI will purchase.

b. In the event that USI and Franchisee cannot agree to a fair market value for the assets of the Store, then the fair market value shall be determined by an independent third-party appraisal. USI and Franchisee shall each select one independent, qualified appraiser, and the two so selected shall select a third appraiser, all three to determine the fair market value of the Store. The purchase price shall be the median of the fair market values as determined by the three appraisers and this price shall be binding upon the parties. All expenses of the appraisers shall be paid for equally between USI and Franchisee.

c. USI and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by USI, in the real property records and USI and Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording.

d. The closing for the purchase of the assets of the Store will take place no later than 60 days after the termination or nonrenewal date. USI will pay the purchase price in full at the closing, or, at its option, in five equal consecutive monthly installments with interest at a rate of 10% per annum. Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the Store by USI.

e. In the event that USI does not exercise USI's right to purchase the assets of Franchisee's Store as set forth above, Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the assets of its Store; provided, however, that all appearances of the Marks are first removed in a manner approved in writing by USI. USI will only be obligated to purchase any assets of the Store in the event and to the extent it is required by applicable state or federal law.

5.9 Termination; Obligations Upon Termination

a. If Franchisee commits a breach of this Agreement for which no cure period is specified, or Franchisee fails to cure any default to USI's satisfaction within the applicable cure period following notice from USI, USI may, in addition to all other remedies at law or in equity or as otherwise set forth in this Agreement, terminate this Agreement. This termination will be effective immediately upon delivery, as defined below, by USI to Franchisee of a written notice of termination. Upon termination or expiration

of this Agreement, USI will advise all suppliers of USI proprietary food or beverage items and supplies bearing USI's trademarks or service marks to cease delivering the items to Franchisee.

b. Upon expiration or termination of this Agreement for any reason, all of the following apply:

1. Franchisee shall promptly pay USI or its affiliates, if applicable, all sums owing or accrued from Franchisee to USI, any Advertising Fund, and any Advertising Cooperative prior to or upon expiration or termination; including interest and any damages, costs, and expenses (including amounts underreported) incurred by USI by reason of default on the part of Franchisee.

2. Except as may otherwise be permitted by another currently-effective agreement between Franchisee and USI (if any), Franchisee shall immediately cease to use, by advertising or in any other manner whatsoever, any feature or method associated with the System, any of the Proprietary Marks, and any other trade secrets, confidential information, operating manuals, slogans, signs, symbols, or devices forming part of the System or otherwise used in connection with the operation of the Store. The prohibitions on subsequent use apply to the use of the words "formerly," "former," "formerly associated with," or any words conveying similar meaning and used in conjunction with the Proprietary Marks. Franchisee agrees that any such unauthorized use or continued use after the termination of this Agreement will constitute irreparable harm. Continued use by Franchisee of USI's Proprietary Marks after termination of this Agreement will constitute willful trademark infringement by Franchisee. Nothing in this Agreement precludes USI from seeking any remedy under federal or state law for willful trademark infringement, including treble damages and injunctive relief.

3. Except as may otherwise be permitted by another currently-effective agreement between Franchisee and USI (if any), Franchisee shall immediately return to USI the Operations Manual, plans, specifications, and recipes, menus, and other materials containing information prepared by USI and relative to the operation of a Store that are in its possession or control.

4. Franchisee shall continue to comply with the confidentiality requirements and the covenant against competition in this Agreement for the specified period. Franchisee acknowledges that he/she, or (if an entity) its Personal Representative, has carefully reviewed the confidentiality requirements and the covenant against competition in this Agreement; and that Franchisee has agreed to be bound by all the requirements and covenants.

5. No right or remedy conferred upon or reserved to USI is exclusive of any other right or remedy in this Agreement, or by law or of equity provided or permitted, but each will be cumulative of every other right or remedy given under this Agreement.

6. Following expiration or termination of this Agreement for any reason, one or more representatives of USI may enter the Premises, without being guilty of trespass or any other tort, to determine whether the Premises have been de-identified to their satisfaction; and they may remove and retain any items and make any changes necessary in their sole opinion to de-identify the Premises. Any expenses incurred by USI in the removal of any signs, insignia, or other material from the Premises, or making the changes required, must be paid by Franchisee to USI upon demand, together with interest at the highest lawful rate from the date of expenditure until paid. USI will have any other remedy for a breach available at law or in equity.

7. Franchisee shall cease using all Listings (defined below), and at USI's election execute all forms and documents required by USI and any service provider at any time to transfer such service and any related Listings to USI. Franchisee shall refrain from entering any "call forwarding" or similar instruction with a service provider that has the effect of circumventing the unconditional obligation of Franchisee to surrender and cease using all Listings. For purposes of this Agreement,

“**Listings**” means, as related to the franchised business, telephone or facsimile numbers, electronic mail addresses, websites, domain names, and telephone or other business directories, including any related to any website, domain name or other Internet usage. Upon expiration or termination of this Agreement, USI will have the immediate right to the Listings and to have the service transferred to USI. Franchisee appoints USI its true and lawful agent and attorney-in-fact with full power and authority for the sole purpose of taking such action as is necessary to carry out Franchisee’s obligations under this provision. The obligations of this provision and this power of attorney will survive the expiration or termination of this Agreement. Franchisee, its officers, shareholders, partners, limited liability managers and members (as applicable) shall not thereafter use the Listings at or in connection with any subsequent business owned or operated by Franchisee, its officers, shareholders, partners, or limited liability company managers or members, or for any other purpose.

6. MISCELLANEOUS PROVISIONS

6.1 Independent Contractors

The relationship between USI and Franchisee is that of independent contractors. Franchisee is in no way deemed to be a partner, joint venturer, agent, employee, or servant of USI. Franchisee has no authority to bind USI to any contractual obligation or incur any liability for or on behalf of USI. If directed to do so by USI, Franchisee shall install a sign in the Store, at a location and in a form specified by USI, indicating that Franchisee is an independent contractor and is the owner of the Store. Franchisee shall identify itself as an independent owner of the Store in all dealings with customers, contractors, suppliers, public officials, employees, and others. Franchisee shall put notices of this independent ownership (in the form specified by USI) on signs, forms, stationery, advertising, and other materials as USI may at any time require.

6.2 Illegality; Survival

If an arbitrator or court makes a final determination that any provision of this Agreement is invalid or unenforceable, that provision will be modified by the arbitrator or court so as to best continue to carry out the intent of the parties, or severed from this Agreement if it cannot be so modified; and the remaining provisions will be left as written.

6.3 Governing Law/Consent to Venue and Jurisdiction

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

6.4 Costs and Attorneys' Fees

The prevailing party(ies) in any action arising out of, or related to, this Agreement (including an action to compel arbitration) is/are entitled to recover from the non-prevailing party(ies) all of its/their costs and expenses incurred in the action, including reasonable accounting, expert witness, attorneys', and arbitrator's fees, and costs of collecting monies owed, in addition to all other amounts and damages awarded. If more than one party is awarded a judgment in any dollar amount, the court or arbitrator, as applicable, will determine the prevailing party(ies) taking into consideration the merits of the claims asserted by each party, the amount of the judgment received by each party, and the relative equities between the parties.

6.5 Relief

The parties agree that they have the right in the proper case to seek temporary or preliminary injunctive relief. The parties agree that they will not be required to post a bond to obtain any injunctive relief and that the only remedy if an injunction is entered will be the dissolution of such injunction.

6.6 No Guarantee of Franchisee's Success

Franchisee acknowledges that USI has made no guarantees concerning the success of the franchise granted by this Agreement. Franchisee has been informed and acknowledges its understanding that because of the highly competitive nature of the business involved, successful operation of the Store in its region will depend, in part, upon the best efforts, capabilities, management, and efficient operation by Franchisee; as well as the general economic trend and other local marketing conditions.

6.7 Notices

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

6.8 Authorization to Communicate Electronically; Prompt Response Required

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

6.9 Force Majeure

"Force Majeure" means an event that prevents a party to this Agreement from performing that is not the fault of or within the reasonable control of the party claiming Force Majeure. Force Majeure includes acts of god, fires, strikes, war, terrorism, riot, governmental laws or restrictions, or any other similar event or cause rendering performance of the contract impossible. Except with respect to payment obligations, neither party shall be deemed to be in breach of this Agreement if a party's failure to perform

its obligations results from Force Majeure and any delay resulting from Force Majeure will extend performance accordingly or excuse performance in whole or in part as may be reasonable. Force Majeure does not include Franchisee's financial inability to perform, inability to obtain financing, inability to obtain permits or licenses or any other similar events unique to Franchisee or to general economic downturn or conditions. If Franchisee is affected by an event of Force Majeure, it shall provide a prompt written request for relief to USI describing and setting forth the nature of the Force Majeure, an estimate as to its duration, and a plan for resuming full compliance with this Agreement. USI will have full discretion whether to grant or deny any request for relief. If Franchisee fails to provide the required notice it shall be liable for failure to give such timely notice only to the extent of damage actually caused.

6.10 Electronic Signature

The parties hereby acknowledge and agree that electronic signatures, in such form and manner as USI may prescribe from time to time, shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. USI and Franchisee both (i) intend to be bound by the signatures (whether original or electronic) on any document sent or signed electronically, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

6.11 Payment of Taxes

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

6.12 Waiver

The failure of either party to insist upon the strict performance of any term, covenant, or condition contained in this Agreement will not constitute or be construed as a waiver or relinquishment of that party's rights to enforce thereafter any such term, covenant, or condition; and it will continue in full force and effect.

6.13 Cross Default

A default by Franchisee under this Agreement will be deemed a default of all franchise agreements and other agreements between Franchisee and USI or its affiliates. A default by Franchisee under any other franchise agreement or other agreement between USI or its affiliates and Franchisee will be deemed a default under this Agreement. A default by the guarantor(s) of any guaranty agreement applicable to this Agreement or any other agreement between USI and the guarantor(s) will be deemed a default of this Agreement. In this Section, the term "Franchisee" also includes any entity of which Franchisee owns 50% or more.

6.14 Cross Termination

If this Agreement is terminated as a result of a default by Franchisee, USI may, at its option, elect to terminate any or all other franchise agreements and other agreements between Franchisee and USI or its affiliates. If any other franchise agreement or other agreement between Franchisee and USI or its affiliates is terminated as a result of a default by Franchisee, USI may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured (within the time period provided) default under this Agreement or any other franchise agreement between Franchisee and USI will be grounds for termination

of this Agreement or any and all franchise agreements between Franchisee and USI without additional notice or opportunity to cure. In this Section, the term “Franchisee” also includes any entity of which Franchisee owns 50% or more.

6.15 Entire Agreement

This Agreement, including its Exhibits, constitutes the entire agreement of the parties related to its subject matter (into which all prior negotiations, commitments, representations, and undertakings with respect to its subject matter are merged). No oral or other written understandings or agreements exist between the parties relating to the subject matter of this Agreement. In entering into this Agreement, Franchisee agrees that it did not rely on any promises, representations, or agreements not expressly contained in this Agreement. Nothing in this Agreement or in any related agreement is intended to disclaim the representations USI made in the Franchise Disclosure Document that USI furnished to Franchisee.

6.16 Modifications

Any modification to this Agreement must be in writing and signed by all of the parties to this Agreement.

6.17 Number, Table of Contents, and Captions

Words in the singular include the plural when the sense requires (and vice-versa). The Table of Contents and the captions are inserted only for convenience and are not a part of this Agreement or a limitation or expansion of the scope of the particular paragraph to which each refers.

6.18 Acknowledgement; Representations

A. FRANCHISEE OR ITS GENERAL MANAGER(S) (“YOU” OR “YOUR”) REPRESENT THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND YOU HAVE BEEN AFFORDED THE OPPORTUNITY TO ASK QUESTIONS AND REVIEW MATERIALS THAT YOU DEEM RELEVANT IN MAKING THE DECISION TO ENTER INTO THIS AGREEMENT AND ACQUIRE THE FRANCHISE.

B. YOU AND EACH AND EVERY SIGNER OF THIS AGREEMENT SEVERALLY REPRESENTS AND WARRANTS THAT YOU HAVE RECEIVED A COPY OF USI’S FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF:

(1) FOURTEEN CALENDAR DAYS BEFORE THE SIGNING OF THIS AGREEMENT, OR

(2) FOURTEEN CALENDAR DAYS BEFORE ANY PAYMENT TO USI,

AND THAT YOU HAD A COPY OF THE FORM OF THIS AGREEMENT IN YOUR POSSESSION FOR A PERIOD OF NOT LESS THAN 14 DAYS, DURING WHICH TIME YOU HAVE READ AND UNDERSTOOD THIS AGREEMENT, AND HAD THE OPPORTUNITY TO SUBMIT IT FOR PROFESSIONAL REVIEW AND ADVICE OF YOUR CHOOSING PRIOR TO FREELY EXECUTING THIS AGREEMENT.

C. YOU ACKNOWLEDGE THAT YOU HAVE BEEN ADVISED TO RECEIVE ADVICE OF LEGAL COUNSEL AS TO ALL MATTERS RELATING TO THE DUE DILIGENCE REVIEW OF THE FRANCHISE, INCLUDING THE REVIEW OF THE FRANCHISE DISCLOSURE DOCUMENT AND THIS AGREEMENT.

D. YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON YOUR ABILITY AS AN INDEPENDENT BUSINESSPERSON AND YOUR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.

E. YOU ACKNOWLEDGE THAT NO ASSURANCE OR WARRANTY, EXPRESSED OR IMPLIED, HAS BEEN GIVEN TO YOU AS TO THE POTENTIAL SUCCESS OF THIS BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED.

F. YOU ACKNOWLEDGE THAT NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS AGREEMENT, IS BINDING ON USI IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND THAT THIS AGREEMENT SUPERSEDES ANY AND ALL OTHER AGREEMENTS AND REPRESENTATIONS CONCERNING THIS FRANCHISE. NOTWITHSTANDING THE LANGUAGE ABOVE, NOTHING IN THIS AGREEMENT OR ANY RELATED AGREEMENT BETWEEN USI AND FRANCHISEE IS INTENDED TO DISCLAIM THE REPRESENTATIONS USI MADE IN THE FRANCHISE DISCLOSURE DOCUMENT USI PROVIDED TO FRANCHISEE (OR IN THE LAST FRANCHISE DISCLOSURE DOCUMENT BEFORE THIS AGREEMENT WAS SIGNED BY FRANCHISEE, IF MORE THAN ONE WAS PROVIDED BY USI.

G. YOU REPRESENT THAT ALL FINANCIAL AND OTHER INFORMATION THAT FRANCHISEE HAS PROVIDED TO USI IN CONNECTION WITH FRANCHISEE'S APPLICATION FOR THIS FRANCHISE IS TRUE AND ACCURATE.

H. YOU REPRESENT THAT NEITHER FRANCHISEE NOR ANY OF ITS OFFICERS, DIRECTORS, LIMITED LIABILITY COMPANY MANAGERS OR MEMBERS, PARTNERS, SHAREHOLDERS, OR OTHER OWNERS (AS APPLICABLE) ARE SUBJECT TO U.S. EXECUTIVE ORDER 13224; AND THAT EACH INDIVIDUAL IS A UNITED STATES CITIZEN OR A LAWFUL RESIDENT ALIEN OF THE UNITED STATES.

This Agreement is made effective as of the ____ day of _____, 20__.

U-SWIRL INTERNATIONAL, INC.

By: _____

Title: _____

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____

Title: _____

**EXHIBIT I
TO FRANCHISE AGREEMENT**

ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement (this “**Addendum**”) is dated as of the same date (the “**Agreement**”) by and between **U-Swirl International, Inc.** (“**USI**”) and the undersigned franchisee (“**Franchisee**”). This Addendum supplements the terms of the Agreement, and in the event of a conflict in terms between the Agreement and this Addendum, the terms of this Addendum are controlling.

The parties agree as follows:

1. Store Premises. The Store Premises, referenced in Section 1.1.a of the Agreement, will be located at: _____.

2. Initial Franchise Fee. The initial franchise fee, referenced in Section 1.2 of the Agreement is \$____.

3. Trade Name and Proprietary Marks. The trade name and Proprietary Marks that the Franchisee is licensed to use in the operation and marketing of the Store are: _____
_____.

Fully executed this ____ day of _____, 20__.

U-SWIRL INTERNATIONAL, INC.

By: _____
Title: _____

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____

Title: _____

**EXHIBIT II
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution by U-Swirl International, Inc. (“**USI**”) of that certain Franchise Agreement (the “**Agreement**”) entered into by USI and the Franchisee named below (“**Franchisee**”) on the date listed below:

1. Each of the undersigned personally and unconditionally (a) guarantees to USI, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable, for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

2. Each of the undersigned waives: (a) acceptance and notice of acceptance by USI of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (d) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. Each of the undersigned consents and agrees that: (a) the undersigned’s direct and immediate liability under this guaranty will be joint and several; (b) the undersigned will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so; (c) the undersigned’s liability will not be contingent or conditioned upon pursuit by USI of any remedies against Franchisee or any other person; and (d) the undersigned’s liability will not be diminished, relieved, or otherwise affected by (i) any change in the Agreement that has been agreed to by USI and Franchisee, or (ii) any extension of time, credit, or other indulgence that USI may from time to time grant to Franchisee or to any other entity or person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

4. Each of the undersigned will be bound by the covenant not to compete and the other restrictive covenants, the confidentiality provisions, the audit provisions, and the indemnification provisions contained in the Agreement.

5. Each of the undersigned agrees that the arbitration, injunctive relief, governing law and jurisdiction provisions contained in the Agreement will govern this Guaranty, and those provisions are incorporated into this Guaranty by this reference.

6. No single or partial exercise by USI of any right or remedy under this Guaranty will preclude further exercise of that right or remedy, nor of the exercise of any other right or remedy under this Guaranty. No delay or neglect on the part of USI in the exercise of any right or remedy existing under law or by virtue of this Guaranty will operate as a waiver of that right or remedy. Instead, USI’s rights and remedies under this Guaranty will continue in full force and effect unless specifically waived or released in a written instrument signed by the Chief Executive Officer or President of USI.

7. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et seq.) or other federal law, this guaranty shall be interpreted under the laws of the state of Colorado and any disputes between the Franchisor and any party hereto shall be governed by and

determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisor and all guarantors agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County and federal courts located in Colorado. The Franchisor and each guarantor waive their rights to a trial by jury.

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

GUARANTOR(S)

Date: _____

Signature

Print Name

Address

Phone

Date: _____

Signature

Print Name

Address

Phone

**EXHIBIT III
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership (Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company

If a Partnership, list below the name and address of each partner, indicate what percentage of the partnership is owned by each, and whether that person is active in management; indicate the state in which the partnership was formed; and provide to USI a copy of the Partnership Agreement certified by the Secretary of State of the State in which the Partnership was formed.

If a Limited Liability Company, list below the name and address of each member and each manager, indicate what percentage of the company is owned by each; indicate the state in which the LLC was formed; and provide to USI a copy of the Articles of Organization certified by the Secretary of State of the State in which the LLC was formed.

If a Corporation, list below the name and address of each officer and director; list the name and address of every shareholder, and indicate what percentage of stock is owned by each; indicate the state of incorporation of the corporation; and provide to USI a copy of the Articles of Incorporation certified by the Secretary of State of the State in which the corporation was formed.

Franchisee acknowledges that this Statement of Ownership applies to the Store authorized under the Franchise Agreement.

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

Date

Signature

Print Name

**EXHIBIT IV
TO FRANCHISE AGREEMENT**

ELECTRONIC FUNDS TRANSFER AUTHORIZATION AGREEMENT

The undersigned depositor (“**Depositor**”) agrees to electronic funds transfer from Depositor’s designated account(s) to the designated account(s) of **U-Swirl International, Inc.** (“**USI**”) for payment of royalties, advertising fees, and other obligations owed to USI (in USI’s sole discretion), for all USI franchises owned in whole or in part by Depositor, as follows:

1. Depositor authorizes USI to withdraw money from Depositor’s checking and/or savings account(s), as listed below, on a timely basis to collect the appropriate royalties and advertising fees due under the Franchise Agreement(s) for all franchises owned in whole or in part by Depositor, along with other amounts owed by Depositor to USI under other agreements between the parties.

Name of Depository

Branch

Street Address, City, State, Zip Code

Bank Transit/ABA Number

Account Number(s)

**(DEPOSITOR: ATTACH A COPY OF A VOIDED CHECK OR DEPOSIT SLIP FOR EACH
ACCOUNT TO BE INCLUDED UNDER THIS AGREEMENT)**

2. Depositor agrees that this authorization will remain in effect for each franchise throughout the duration of the Franchise Agreement or other agreement for the applicable franchise; unless USI agrees to an earlier termination of the authorization. Depositor agrees not to revoke any authorization for funds transfer prior to the termination of the applicable Franchise Agreement or other agreement, without prior written consent of USI. Depositor agrees that the applicable financial institution or other depository (the “**Depository**”) cannot cancel this authorization without receiving written consent from USI.

3. Depositor agrees to keep, at all times, sufficient funds in each account covered by a transfer authorization to pay the full amount of each transfer. Depositor shall promptly notify USI of any change in its account(s) covered by this Agreement, providing new account numbers when applicable.

4. Depositor agrees that USI may transfer funds from Depositor’s account(s) to USI’s account(s) each week and/or at other times as permitted by the agreement(s) between the parties.

5. USI may bill Depositor directly for any amounts owed by Depositor to USI for which USI does not seek payment through funds transfer under this Agreement.

6. Depositor agrees to promptly and accurately report net sales figures for all franchises owned in whole or in part by Depositor, in compliance with Depositor’s Franchise Agreement(s), and as instructed by USI.

7. Depositor agrees that USI may charge Depositor a late fee and/or interest per franchise involved, for each attempted transfer, if any funds transfer cannot be completed in full when due because of insufficient funds, a cancellation of the authorization for the funds transfer that is not approved by USI, or other circumstances outside of the control of USI. USI may also charge Depositor any NSF fee or similar fee charged by the bank.

8. Depositor agrees that if the applicable Depository requires its or another form to be submitted to facilitate electronic funds transfers, Depositor will promptly complete that form so that it allows for the Depository to carry out the intent of this Electronic Funds Transfer Authorization Agreement (this “**Agreement**”), and Depositor will promptly submit that form to USI or that Depository, as instructed by USI.

9. A franchise is considered to be “**owned in whole or in part by Depositor**” if any individual or entity having an Ownership Interest (defined as a 10% or greater shareholder, partnership, or member interest, or as a sole proprietor) in the franchise(s) subject to this Agreement has an Ownership Interest in that other franchise.

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____

Title: _____

**EXHIBIT B-1
(TO DISCLOSURE DOCUMENT)**

U-SWIRL INTERNATIONAL, INC.

**RMCF CO-BRAND
AMENDMENT TO FRANCHISE AGREEMENT**

This RMCF Co-Brand Amendment to Franchise Agreement (this “**Amendment**”) is between **U-Swirl International, Inc.** (“**USI**”) and the undersigned “**Franchisee**.”

WHEREAS, Rocky Mountain Chocolate Factory Inc., a Colorado corporation (“**RMCF**”), has developed proprietary methods (“**RMCF Methods**”) for the development and operation of retail stores that sell gourmet chocolate and store-made confections and RMCF manufactures an extensive line of premium chocolates and other confectionery products (“**RMCF Products**”), all of which are sold in stores under the Rocky Mountain Chocolate Factory® name and associated trademarks and service marks (“**RMCF Marks**”) (the RMCF Methods, RMCF Products and RMCF Marks being collectively referred to as the “**RMCF System**”);

WHEREAS, RMCF and USI have entered into a Master License Agreement dated April 1, 2013 (“**Master License Agreement**”) whereby RMCF has permitted USI and USI’s franchisees to use the RMCF Marks and sell the RMCF Products in franchisees’ U-Swirl Stores, Yogurtini Stores and CherryBerry Stores, as well as in USI and USI’s affiliate-owned retail stores;

WHEREAS, Franchisee has entered into a Franchise Agreement with USI (or one of its affiliated brands, as subsequently assigned to USI), dated _____, 20__ (“**Franchise Agreement**”), for the operation of a Store that uses the brand designated in the Franchise Agreement, for operation of a _____ Store; and

WHEREAS, Franchisee wishes to enter into this Amendment to its Franchise Agreement in order to supplement its product offerings with certain RMCF Products and use of the RMCF Methods and certain RMCF Marks as part of its Franchised Business; and

WHEREAS, all capitalized terms not defined in this Amendment have the respective meanings set forth in the Franchise Agreement as amended, if applicable.

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

1. Grant. USI grants to Franchisee, and Franchisee accepts from USI, during the term of this Amendment a limited right, solely in accordance with this Amendment, to use the RMCF System, including the RMCF Marks, to sell the RMCF Products at the Store (the “**RMCF Rights**”). Neither USI nor Franchisee has any ownership of the rights to, interest in, or goodwill associated with the RMCF Marks.

2. Term of Grant. The term of this Amendment shall commence on the Effective Date (as defined below) and, unless sooner terminated pursuant to Section 20 or 21 of this Amendment, it will expire on the same date as the Franchise Agreement, including all renewals.

3. Application of Agreement to Co-Branded Store. All references in the Franchise Agreement to the “Store,” as defined in Section 1.1 of the Franchise Agreement, are changed to refer to the “**Co-Branded Store.**” Except as may be otherwise noted in this Amendment or in the Franchise Agreement, all applicable terms, conditions, and requirements set forth in the Franchise Agreement applicable to the Store apply to the Co-Branded Store.

4. Description of Co-Branded Store. Franchisee’s “**Co-Branded Store**” will be a U-Swirl Store, a Yogurtini Store or a CherryBerry Store that offers self-serve frozen yogurt with a variety of toppings, including ROCKY MOUNTAIN CHOCOLATE FACTORY premium candy toppings and ROCKY MOUNTAIN CHOCOLATE FACTORY packaged candy, plus some or all of the additional products traditionally made in and sold through ROCKY MOUNTAIN CHOCOLATE FACTORY stores, as specified by RMCF.

5. Initial Franchise Fee. The initial franchise fee for the Co-Branded Store Franchise is \$6,000, and if this Amendment is for a conversion of an existing Store into a Co-Branded Store, the initial franchise fee for the conversion Store is \$6,000.

6. The System. The last sentence of Recital A of the Franchise Agreement is deleted and replaced with the following:

The System for Co-Branded Stores includes the contents of USI’s and RMCF’s Operations Manual, and other standards and specifications as prescribed by USI for Co-Branded Stores from time to time. Much of the information related to the components of the System constitutes trade secrets of USI, and some of the information related to the components of the System constitutes trade secrets of RMCF.

7. Monthly Royalty. The following sentence is added at the end of Section 1.6.c of the Franchise Agreement:

Further, Franchisee agrees to report all Net Sales generated from or through its Co-Branded Store in the manner prescribed by USI for Co-Branded Store.

8. Store Premises. A new Section 2.1.c is added to the Franchise Agreement, as follows:

c. Franchisee acknowledges that USI’s standards and specifications for a Co-Branded Store may be different from those of a standard Store and may include standards and specifications related to the RMCF products and services offered in a Co-Branded Store.

9. Restricted Use of Premises. The following sentence to Section 2.3 of is added to the Franchise Agreement, as follows:

Franchisee agrees to comply with any policies, procedures, standards and specifications contained in USI’s or RMCF’s Operations Manual pertaining to Co-Branded Stores.

10. Co-Branded Store Operations.

(a) The second sentence of Section 2.6.a of the Franchise Agreement is deleted and replaced with the following:

Franchisee shall offer all types of products and services as from time to time may be prescribed by USI or RMCF for Co-Branded Stores, and shall refrain from offering any other types of

products or services, or operating or engaging in any other type of business or profession, from or through the Co-Branded Store; including, without limitation, filling Wholesale Orders, as defined below, or selling authorized products through the Internet, catering, or other off-premises sales without the prior written consent of USI. “**Wholesale Orders**” are those orders or sales where the principal purpose of the purchase is for resale, not consumption, or any sale other than those sold over the counter at a price other than that price charged to the general public; provided, however, that volume discounted sales made on the premises of the Store to a single purchaser and not for resale, and discounted sales made on the premises of the Store to charitable organizations for fund-raising purposes, shall be permitted.

(b) The following sentence is added to the end of Section 2.6.a of the Franchise Agreement:

Franchisee acknowledges and agrees that the products and services offered for sale from or through the Co-Branded Store, and the standards and specifications of USI related thereto, may differ from that of a standard Store and may be subject to alternative standards and specifications as may be developed and made available by the USI or RMCF from time to time.

11. Operations Manual. Section 2.8 of the Franchise Agreement is supplemented with the following sentences:

USI will also loan to Franchisee a copy of the Operations Manual for ROCKY MOUNTAIN CHOCOLATE FACTORY® Stores, which is the confidential and proprietary property of RMCF. In this Section, the definition of “**Operations Manual**” includes the RMCF Operations Manual, in addition to USI’s Operations Manual. All references to the “Operations Manual” throughout this Agreement include USI’s and RMCF’s Operations Manual; and all terms, conditions, and obligations in this Agreement that relate to USI’s Operations Manual apply with equal force and effect to RMCF’s Operations Manual.

12. Initial Training Program. Section 2.9.a of the Franchise Agreement is supplemented with the following sentence:

Franchisee or its Principal Representative shall also complete, to USI’s and RMCF’s reasonable satisfaction, that portion of the initial training program applicable to the RMCF Methods as designated by RMCF.

13. Advertising. A new Section 2.12.n is added to the Franchise Agreement as follows:

Franchisee acknowledges that USI’s standards and specifications for advertising and marketing a Co-Branded Store will incorporate ROCKY MOUNTAIN CHOCOLATE FACTORY® products and RMCF Marks; and thus, may differ from the advertising and marketing standards and specifications for a standard Store.

14. RMCF Marks. Franchisee acknowledges that RMCF and USI have the right to use and to permit others to use the RMCF Marks listed in Attachment A of this Amendment, and that Franchisee’s right to use the RMCF Marks is derived solely from this Amendment and is limited to the exercise of the RMCF Rights granted by and in compliance with this Amendment. Franchisee’s use of the RMCF Marks in any manner other than as specifically authorized by this Amendment will constitute an infringement of RMCF’s and USI’s rights in and to the RMCF Marks. Franchisee acknowledges and agrees that usage of the RMCF Marks under the terms of this Amendment and any goodwill or reputation established by that usage will inure to RMCF’s and USI’s benefit, and that this Amendment does not confer any goodwill, reputation, or other interests in the RMCF Marks upon Franchisee (other than the

right to display the RMCF Marks in compliance with this Amendment). All provisions of this Amendment will also be applicable to any additional RMCF Marks that RMCF and USI may at any time permit Franchisee to use. Franchisee acknowledges that it has not acquired any right, title or interest in any RMCF Marks except as is authorized and governed by this Amendment. Except as permitted in the Operations Manual, Franchisee agrees not to use any RMCF Marks as part of an electronic mail address or on any sites on the Internet, and Franchisee agrees not to use or register any of the RMCF Marks as a domain name on the Internet.

15. RMCF System. Franchisee acknowledges that RMCF owns and controls the RMCF System, which includes trade secrets of RMCF; and Franchisee acknowledges that RMCF has valuable rights in and to those trade secrets. Franchisee further acknowledges that it has not acquired any right, title, or interest in the RMCF System except for the right to use the RMCF Marks and the RMCF Methods, and to sell RMCF Products, in strict compliance with the terms of this Amendment.

16. RMCF's Reservation of Rights. Franchisee acknowledges that the rights granted in this Amendment are non-exclusive, and that pursuant to the Master License Agreement, RMCF retains the rights, among others: (1) to use, and to license others to use, the RMCF System for the operation of RMCF stores, kiosk stores, satellite stores, temporary stores and other co-branded stores, at any location other than at the Premises; (2) to use the RMCF System to identify services and products, promotional and marketing efforts or related items, and to identify products and services similar to or the same as those which Franchisee will sell, but made available through alternative channels of distribution other than through traditional RMCF stores, at any location other than at the Premises, including, but not limited to, through satellite stores, temporary stores, kiosk stores, other co-branded stores, by way of mail order, (including electronic mail order), the Internet, catalog, telemarketing, other direct marketing methods, television, retail store display or through the wholesale sale of its products to unrelated retail outlets or to candy distributors or outlets located in stadiums, arenas, airports, turnpike rest stops or supermarkets; and (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those which Franchisee will sell or in connection with the operation of retail stores selling chocolate and other products, at any location other than at the Store, which stores are the same as, or similar to, or different from a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY store or a satellite store, a temporary store, a co-branded store or a kiosk store, on any terms and conditions as RMCF deems advisable, and without granting Franchisee any rights to them.

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

18. Non-Disparagement. Franchisee will not take any action or make any statements to any third parties that (a) would constitute a criticism, denigration, or disparagement of RMCF or USI, or their employees, representatives, or agents, or the RMCF System; (b) that would tend to be injurious to the reputation or goodwill of RMCF or USI, or their employees, representatives, or agents, or the RMCF System; or (c) that may interfere in any manner with the business affairs or business relations of RMCF or USI, or their employees, representatives, or agents.

19. Transfer by Franchisee. The text of Section 3.3.d of the Franchise Agreement is deleted and replaced by the following text:

The proposed Transferee must agree to operate the Co-Branded Store as a U-Swirl Co-Branded Store, Yogurtini Co-Branded Store or CherryBerry Co-Branded Store (as applicable) and to satisfactorily complete the initial training program described in the then current form of USI Franchise Agreement and Co-Brand Amendment, which training must be completed by the transferee prior to the effectiveness of the transfer.

20. Termination by USI - Effective upon Notice. USI has the right, at its option, to terminate this Amendment and the RMCF Rights granted to Franchisee under this Amendment, without affording the Franchisee any opportunity to cure any default (subject only to any termination pre-requisites in any state franchise law whose applicability, as a matter of law, supersedes the choice-of-law provision set forth in the Franchise Agreement), effective upon receipt by Franchisee of written notice upon the occurrence of any of the following events:

(a) Abandonment. Franchisee ceases to sell the RMCF Products for a period of 5 consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue sale of the RMCF Products, unless and only to the extent that full operation of the Franchised Business is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee.

(b) Misuse of RMCF Marks. Within 10 days after notification from USI, Franchisee fails, with respect to the RMCF Marks, either to correct any misuse, or to follow USI's directions and guidelines concerning proper use.

(c) Unauthorized Disclosure. Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Operations Manual or any other trade secrets or confidential information.

(d) Unauthorized Transfer. Franchisee sells, transfers, or otherwise assigns the RMCF Rights granted by this Amendment, or attempts to transfer the RMCF Rights or this Amendment in any manner not in full compliance with the transfer provisions set forth in Franchise Agreement, or if the transfer is not part of the simultaneous transfer of the Franchise Agreement. Franchisee specifically understands and agrees that this Amendment is indivisible from the Franchise Agreement and may not be transferred except as part of an approved transfer of the Franchise Agreement.

(e) Termination of Franchise Agreement. Franchisee's Franchise Agreement terminates or expires for any reason.

(f) Failure to Pay. Franchisee fails to pay RMCF for purchases of Factory Candy (as defined in the RMCF Franchise Agreement) and other items on a timely basis, and that failure has not been cured within 10 days after USI has provided notice of such failure to Franchisee.

21. Termination by USI - Thirty Days' Notice. USI has the right to terminate this Amendment and the RMCF Rights granted under this Amendment (subject only to any termination prerequisites in any state franchise law whose applicability, as a matter of law, supersedes the choice-of-law provision set forth in the Franchise Agreement), effective after 30 days written prior notice to Franchisee, if Franchisee breaches any other provision of this Amendment and fails to cure the default during that 30-day period. In that event, this Amendment will terminate without further notice to Franchisee, effective upon expiration of the 30-day period. Defaults include, but are not limited to, the following events:

- (a) Failure to Maintain Standards. Franchisee fails to maintain the then-current operating procedures and adhere to the specifications and standards established by USI as set forth in this Amendment or in the Operations Manual, or as otherwise communicated to Franchisee.
- (b) Deceptive Practices. Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the RMCF Marks or under a name or mark which is confusingly similar to the RMCF Marks.
- (c) Failure to Obtain Consent. Franchisee fails, refuses or neglects to obtain USI's prior written approval or consent as required by this Amendment.
- (d) Failure to Comply with Operations Manual. Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual.
- (e) Breach of Related Agreement. Franchisee defaults under any term of the lease, sublease or lease assignment for the Store premises, any equipment lease or any other agreement material to the Store or any other Amendment between USI and Franchisee, and the default is not cured within the time specified in the lease, sublease, other agreement, or other Amendment. Provided, however, so long as financing from the United States Small Business Administration remains outstanding, Franchisee will be given the same opportunity to cure defaults under any agreement between USI or its affiliates and Franchisee, as Franchisee is given under this Amendment.

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

22. Scope of Termination. At USI's option, a termination under Sections 20 or 21 of this Amendment may relate solely to Franchisee's rights and obligations under this Amendment with respect to the RMCF System, and in that situation, it shall not affect the validity or ongoing enforceability of the Franchise Agreement. Termination of this Amendment for any reason does not release Franchisee or USI from their respective obligations under any other agreement, including any lease or promissory note, between the parties. Upon termination of this Amendment, Franchisee may, at its own expense, be required to renovate the Store to conditions reasonably similar to those prior to the renovations made prior to entering into this Amendment.

23. Obligations of Franchisee upon Termination or Expiration of RMCF Rights. Franchisee is obligated upon termination or expiration of its right to use the RMCF System to immediately do all of the following:

- (a) Cease use of and immediately remove all RMCF Marks, including but not limited to, signs, symbols, devices, trade names, trademarks, or other materials.

- (b) Renovate, paint or otherwise change the interior and exterior of Franchisee's Store to remove any trade dress or other leasehold improvements, equipment, fixtures, candy cases and other items that are the identified with the RMCF System.
- (c) Deliver to USI all items of inventory that bear a RMCF Mark, including but not limited to, packaged chocolates, confections, signs, sign-faces, advertising materials, forms and other materials.
- (d) Deliver to USI the Operations Manual for the RMCF System and all other information, documents, and copies of it associated with the RMCF System.
- (e) Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to Franchisee's use of any RMCF Marks which are under the exclusive control of RMCF or, at the option of RMCF, assign them to the RMCF.
- (f) If applicable, notify all telephone directory publishers of the termination or expiration of Franchisee's right to use any regular, classified or other telephone directory listings associated with any RMCF Mark and to authorize transfer of them to USI or its designee. Franchisee acknowledges that, as between Franchisee and USI, USI has the sole rights to and interest in all directory listings associated with any RMCF Mark. Franchisee authorizes USI, and appoints USI and any of its officers as Franchisee's attorney-in-fact, to direct the telephone directory publishers to transfer or cancel any directory listings relating to the Store to USI or its designee. If Franchisee fails or refuse to do so, the telephone directory publishers may accept direction from USI or this Amendment as conclusive of USI's exclusive rights in those directory listings, and USI's authority to direct their transfer or cancellation.
- (g) Sign a general release, in a form satisfactory to USI, of any and all claims against USI, RMCF, their affiliates, and their respective officers, directors, employees, and agents; except if prohibited by applicable law.
- (h) If applicable, take such action as may be required to remove from the Internet all sites referring to Franchisee's former association with the RMCF System and to cancel or assign to USI or its designee, in USI's sole discretion, all rights to any domain names for any sites on the Internet that refer to that association.

24. Competitive Business. The following sentence is added to the end of Section 2.9.c of the Franchise Agreement:

In addition, the term "**In Competition**" includes any business operating, or granting franchises or licenses to others to operate, a retail, wholesale, distribution or manufacturing business with either of the following attributes: (1) a business deriving a total of 10% or more of its gross receipts from the sale, processing or manufacturing of one or a combination of any of the following: boxed chocolate candies; or products that are the same as or substantially similar to the candy made by Franchisee at the Co-Branded Store; or products made with recipes, or processes, included in the RMCF Operations Manual; or (2) a business devoting a total of 10% or more of its retail display space to one or a combination of the following: boxed chocolate candies; or products that are the same as or substantially similar to the candy made by Franchisee at the Co-Branded Store; or products made with recipes or processes included in the RMCF Operations Manual; provided, however, Franchisee will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

25. Termination of Master License Agreement. Franchisee acknowledges that the right of USI to grant the RMCF Rights to Franchisee is through the Master License Agreement between USI and RMCF. RMCF has agreed in the Master License Agreement that if RMCF terminates the Master License Agreement while this Amendment is in effect, RMCF will permit Franchisee to continue to use the RMCF Rights to operate the Co-Branded Store if Franchisee signs an agreement with RMCF that replaces this Amendment. Franchisee agrees that in that situation, and upon notice from USI or RMCF of the termination of the Master License Agreement, Franchisee's obligations under this Amendment related to the RMCF Rights will be to RMCF instead of to USI and Franchisee agrees to sign an agreement with RMCF to confirm Franchisee's rights to use the RMCF Rights in the operation of the Co-Branded Store.

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

27. Ratification. Except as modified in this Amendment, all terms, conditions and obligations set forth in the Franchise Agreement are ratified and confirmed by this Amendment.

28. Indemnification. Section 4.1 of the Franchise Agreement is amended to include RMCF, its subsidiaries, parents, and affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assigns, as entities and individuals that are indemnified by Franchisee.

29. Insurance. All of Franchisee's insurance obligations under Section 4.2 of the Franchise Agreement shall be expanded to also include RMCF, including, but not limited to, adding RMCF and its affiliates, with primary non-contributory coverage, on all insurance policies that Franchisee is obligated to maintain pursuant to the Franchise Agreement, and any additional insurance coverage, policy amounts, or other obligations that may be contained in the Operations Manual.

The parties have executed this Amendment to be effective as of the ____ day of _____, 20____.

U-Swirl International, Inc.

By: _____
Title: _____

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

ATTACHMENT A

RMCF Marks

The term “**RMCF Marks**” includes the following:

1. “Rocky Mountain Chocolate Factory” (word mark);
2. “Rocky Mountain Chocolate Factory” and design; and
3. All other trademarks and service marks that are included in the RMCF Operations Manual from time to time as authorized for use in a Co-Branded Store.

**EXHIBIT C
(TO DISCLOSURE DOCUMENT)**

FINANCIAL STATEMENTS

GUARANTEE OF PERFORMANCE

and

**AUDITED FINANCIAL STATEMENTS OF
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
FOR THE PERIODS ENDED
FEBRUARY 29, 2020, FEBRUARY 28, 2019 AND FEBRUARY 28, 2018**

and

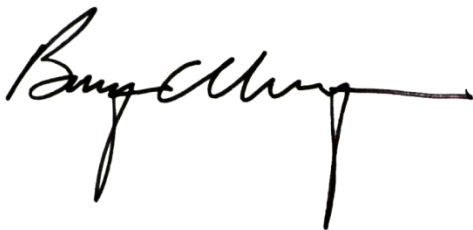
**UNAUDITED FINANCIAL STATEMENTS OF
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
FOR THE PERIOD ENDED MAY 31, 2021**

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

GUARANTEE OF PERFORMANCE

For value received, Rocky Mountain Chocolate Factory, Inc., a Delaware corporation (the "Guarantor"), located at 265 Turner Drive, Durango, Colorado 81303, absolutely and unconditionally guarantees to assume the duties and obligations of U-Swirl International, Inc., a Nevada corporation, located at 265 Turner Drive, Durango, Colorado 81303 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2021 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all obligations of the Franchisor under the franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Durango, Colorado, on the 21st day of May, 2021

A handwritten signature in black ink, appearing to read "Bryan Merryman", with a long horizontal stroke extending to the right.

Bryan J. Merryman, CEO
Rocky Mountain Chocolate Factory, Inc.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 28, 2021 and February 29, 2020; the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended February 28, 2021; and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2021 and February 29, 2020 and the results of its operations and its cash flows for each of the years in the three-year period ended February 28, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

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

Accounts Receivable and Related Reserves

As described in Note 1 to the consolidated financial statements, in the normal course of business, the Company extends credit to customers, primarily franchisees, that satisfy pre-defined credit criteria. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable, assessments of collectibility based on historical trends, and an evaluation of the impact of current and projected economic conditions. Estimates with regard to the collectibility of accounts receivable are reasonably likely to change in the future. The Company may experience the failure of its wholesale customers and franchisees, to whom it extends credit to pay amounts owed on time, or at all, particularly if such customers are significantly impacted by COVID-19.

We identified the Company's valuation of accounts receivable reserve as a critical audit matter. The principal considerations for our determination include management's analysis of determining the reserve for customer and franchisee accounts receivable is complex and highly subjective and the Company has significant balances that age significantly longer than normal payment terms. Further, the Company's customers and franchisees may be significantly impacted by COVID-19, making the estimates especially challenging as a result of market conditions.

The primary procedures we performed to audit this critical audit matter included the following:

- We obtained an understanding of the Company's accounting and control procedures for accounts receivable reserves within both IT and manual systems by which those transactions are initiated, authorized, recorded, processed, corrected as necessary, transferred to the general ledger, and reported in the financial statements.
- We performed a retrospective review of the prior year allowance for doubtful accounts to determine whether management judgments and assumptions relating to the estimates indicate possible bias on the part of management.
- We confirmed year-end account balances directly with a sample of customers. We also reviewed year-end account balances for which subsequent cash receipts were not received through fieldwork dates. For those balances, we inquired of management regarding any collectibility issues of any uncollected accounts receivable outside the normal payment cycle.
- We obtained the accounts receivable aging and compared the balances to the general ledger. We performed analytical procedures on the accounts receivable aging and evaluated the reserve for bad debts. We also performed other analytical procedures related to bad debt expense and the allowance for accounts receivable.
- We inquired of the client regarding any receivables with collectibility concerns and concluded on whether such circumstances have been taken into account in the recorded receivables balance.

Intangible Asset and Goodwill Impairments

As described in Notes 1 and 8 to the consolidated financial statements, the Company reviews its amortized intangible assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The Company performs a goodwill impairment test on an annual basis or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The Company assessed the changes in circumstances related to COVID-19 during the Company's first quarter to determine if an impairment occurred, and if so, the amount of impairment necessary.

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

We identified the Company's impairment assessment of intangible assets and goodwill as a critical audit matter. The principal considerations for our determination include the high degree of auditor judgment and subjectivity in applying procedures relating to the assessment and impairment of the Company's intangible assets and goodwill. This was driven by significant management judgment when determining fair value, including (1) the fair value approaches, (2) the future cash flows used in the impairment tests, and (3) other inputs used in the valuation including comparable company multiples, discount rates, and return on equity. In addition, the audit effort involved the use of fair value specialists to assist in performing audit procedures over these assumptions and evaluating the audit evidence obtained.

The primary procedures we performed to audit this critical audit matter included the following:

- We obtained an understanding of management's accounting and control procedures over the impairment tests, including validation of the assumptions included in the impairment analysis for both the intangible assets and goodwill and the evaluation of the methodology used in determining the magnitude of impairment charges.
- We evaluated the inputs used in the intangible assets and goodwill impairment tests, including cash flow projections, scenario analysis, discount rates, a multi-period excess earning model, a relief from royalty method, return on equity assumptions, and comparable company multiples.
- We compared the undiscounted cash flows used in the intangible assets impairment test to the carrying value of the assets to evaluate whether an impairment existed. Further, we recalculated the difference between the carrying value and the fair value to validate the amount of computed impairment.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the calculated amount of fair value of the intangible assets and goodwill.
- We evaluated the reasonableness of the fair value calculated under the combination of income and market approaches.
- We evaluated the Company's disclosures related to the impairment charges.

Plante & Moran, PLLC

We have served as the Company's auditor since 2004.

Boulder, Colorado
June 1, 2021

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED FEBRUARY 28 OR 29,
2021 2020 2019

Revenues			
Sales	\$ 19,179,447	\$ 24,718,968	\$ 27,563,794
Franchise and royalty fees	4,301,258	7,130,828	6,981,653
Total Revenue	23,480,705	31,849,796	34,545,447
Costs and Expenses			
Cost of sales	16,118,625	18,214,896	20,599,551
Franchise costs	1,715,588	1,882,185	1,980,781
Sales and marketing	1,712,834	1,922,650	2,210,800
General and administrative	5,258,035	5,735,971	3,432,618
Retail operating	1,381,754	1,791,689	1,934,891
Depreciation and amortization, exclusive of depreciation and amortization expense of \$625,526, \$597,430, and \$555,926, respectively, included in cost of sales	710,656	895,395	1,153,873
Costs associated with Company-owned store closures	57,100	15,400	226,981
Total costs and expenses	26,954,592	30,458,186	31,539,495
Income (Loss) from Operations	(3,473,887)	1,391,610	3,005,952
Other Income (Expense)			
Interest expense	(94,506)	(19,016)	(70,787)
Interest income	17,662	29,738	20,496
Gain on insurance recovery	210,464	-	-
Paycheck Protection Program	1,548,576	-	-
Other income (expense), net	1,682,196	10,722	(50,291)
Income Before Income Taxes	(1,791,691)	1,402,332	2,955,661
Income Tax Provision	(891,914)	368,500	716,862
Consolidated Net Income (Loss)	\$ (899,777)	\$ 1,033,832	\$ 2,238,799
Basic Earnings per Common Share	\$ (0.15)	\$ 0.17	\$ 0.38
Diluted Earnings per Common Share	\$ (0.15)	\$ 0.17	\$ 0.37
Weighted Average Common Shares			
Outstanding - Basic	6,067,461	5,986,371	5,931,431
Dilutive Effect of Employee			
Stock Awards	-	268,972	51,207
Weighted Average Common Shares			
Outstanding - Diluted	6,067,461	6,255,343	5,982,638

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF FEBRUARY 28 OR 29,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,633,279	\$ 4,822,071
Accounts receivable, less allowance for doubtful accounts of \$1,341,853 and \$638,907, respectively	2,007,502	4,049,959
Notes receivable, current portion, less current portion of the valuation allowance of \$32,571 and \$0, respectively	84,819	160,700
Refundable income taxes	774,527	418,319
Inventories	4,062,885	3,750,978
Other	213,811	409,703
Total current assets	12,776,823	13,611,730
Property and Equipment, Net	5,152,015	5,938,013
Other Assets		
Notes receivable, less current portion and valuation allowance of \$79,716 and \$0, respectively	42,525	289,515
Goodwill, net	729,701	1,046,944
Franchise rights, net	2,519,764	3,047,688
Intangible assets, net	395,946	498,393
Deferred income taxes	1,144,764	630,078
Lease right of use asset	1,925,591	2,698,765
Other	264,023	56,262
Total other assets	7,022,314	8,267,645
Total Assets	\$ 24,951,152	\$ 27,817,388
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,297,211	\$ 2,241,506
Accrued salaries and wages	735,241	716,860
Gift card liabilities	617,438	609,842
Other accrued expenses	253,345	316,751
Dividend payable	-	722,344
Contract liabilities	194,737	195,658
Lease liability	682,348	803,861
Total current liabilities	3,780,320	5,606,822
Lease Liability, Less Current Portion	1,278,354	1,894,904
Contract Liabilities, Less Current Portion	924,909	960,151
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$.001 par value per share; 250,000 authorized; -0- shares issued and outstanding		
Series A Junior Participating Preferred Stock; 50,000 authorized; -0- shares issued and outstanding	-	-
Undesignated series; 200,000 shares authorized; -0- shares issued and outstanding	-	-
Common stock, \$.001 par value, 46,000,000 shares authorized, 6,074,293 shares and 6,019,532 shares issued and outstanding, respectively	6,074	6,020
Additional paid-in capital	7,971,712	7,459,931
Retained earnings	10,989,783	11,889,560
Total stockholders' equity	18,967,569	19,355,511
Total Liabilities and Stockholders' Equity	\$ 24,951,152	\$ 27,817,388

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	FOR THE YEARS ENDED FEBRUARY 28 OR 29,		
	2021	2020	2019
Common Stock			
Balance at beginning of year	\$ 6,020	\$ 5,958	\$ 5,903
Issuance of common stock	-	23	6
Equity compensation, restricted stock units	54	39	49
Balance at end of year	6,074	6,020	5,958
Additional Paid-In Capital			
Balance at beginning of year	7,459,931	6,650,864	6,131,147
Issuance of common stock	-	210,951	55,971
Equity compensation, restricted stock units	511,781	598,116	463,746
Balance at end of year	7,971,712	7,459,931	6,650,864
Retained Earnings			
Balance at beginning of year	11,889,560	13,733,010	13,419,553
Net (loss) income attributable to RMCF stockholders	(899,777)	1,033,832	2,238,799
Cash dividends declared	-	(2,877,282)	(2,851,271)
Adoption of ASC 606 ¹	-	-	925,929
Balance at end of year	10,989,783	11,889,560	13,733,010
Total Stockholders' Equity	18,967,569	19,355,511	20,389,832
Common Shares			
Balance at beginning of year	6,019,532	5,957,827	5,903,436
Issuance of common stock	-	22,870	5,333
Equity compensation, restricted stock units	54,761	38,835	49,058
Balance at end of year	6,074,293	6,019,532	5,957,827

¹ Refer to Note 3 for information on the adoption of ASC 606.

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED FEBRUARY 28 OR 29,
2021 2020 2019

Cash Flows From Operating Activities

Net (Loss) Income	\$	(899,777)	\$	1,033,832	\$	2,238,799
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization		1,336,182		1,492,825		1,709,799
Provision for obsolete inventory		262,156		360,614		325,478
Provision for loss on accounts and notes receivable		1,257,010		197,830		155,600
Asset impairment and store closure losses		532,602		15,400		67,822
(Gain) Loss on sale or disposal of property and equipment		(197,037)		11,174		36,024
Forgiveness of Paycheck Protection Program		(1,537,200)		-		-
Expense recorded for stock compensation		511,835		809,129		519,772
Deferred income taxes		(514,685)		(22,657)		(78,934)
Changes in operating assets and liabilities:						
Accounts receivable		1,022,975		(453,816)		(390,663)
Refundable income taxes		(356,209)		(228,118)		157,544
Inventories		(617,268)		297,306		41,310
Other current assets		195,891		(91,577)		(8,225)
Accounts payable		(901,090)		1,205,891		(545,588)
Accrued liabilities		(2,318)		(47,783)		(84,191)
Contract liabilities		(25,721)		(184,232)		(129,527)
Net cash provided by operating activities		67,346		4,395,818		4,015,020

Cash Flows from Investing Activities

Proceeds received on notes receivable	85,345	146,455	102,256
Purchase of intangible assets	(99,048)	(75,000)	-
Proceeds from insurance recovery	304,962	-	-
Proceeds from the sale or distribution of assets	-	763	13,498
Purchases of property and equipment	(154,492)	(983,941)	(613,786)
(Increase) decrease in other assets	(207,761)	314	(8,140)
Net cash used in investing activities	(70,994)	(911,409)	(506,172)

Cash Flows from Financing Activities

Payments on long-term debt	-	(1,176,488)	(1,352,821)
Proceeds from Paycheck Protection Program	1,537,200	-	-
Dividends paid	(722,344)	(2,869,877)	(2,844,984)
Net cash provided by (used in) financing activities	814,856	(4,046,365)	(4,197,805)

Net Increase (Decrease) in Cash and Cash Equivalents

811,208 (561,956) (688,957)

Cash and Cash Equivalents, Beginning of Period

4,822,071 5,384,027 6,072,984

Cash and Cash Equivalents, End of Period

\$ 5,633,279 \$ 4,822,071 \$ 5,384,027

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation), Aspen Leaf Yogurt, LLC ("ALY"), and U-Swirl International, Inc. ("U-Swirl"), and its 46%-owned subsidiary, U-Swirl, Inc. ("SWRL") (collectively, the "Company").

The Company is an international franchisor, confectionery manufacturer and retail operator. Founded in 1981, the Company is headquartered in Durango, Colorado and manufactures an extensive line of premium chocolate candies and other confectionery products. U-Swirl franchises and operates self-serve frozen yogurt cafés. The Company also sells its candy in select locations outside of its system of retail stores and licenses the use of its brand with certain consumer products.

U-Swirl operates self-serve frozen yogurt cafés under the names "U-Swirl," "Yogurtini," "CherryBerry," "Yogli Mogli Frozen Yogurt," "Fuzzy Peach Frozen Yogurt," "Let's Yo!" and "Aspen Leaf Yogurt."

The Company's revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; and sales at Company-owned stores of chocolates, frozen yogurt, and other confectionery products.

In FY 2020 and early FY 2021 we entered into a long-term strategic alliance and ecommerce agreements, respectively, with Edible Arrangements®, LLC and its affiliates ("Edible"), whereby it is intended that we would become the exclusive provider of certain branded chocolate products to Edible, its affiliates and its franchisees. Under the strategic alliance, Rocky Mountain Chocolate Factory branded products are intended to be available for purchase both on Edible's website as well as through over 1,000 franchised Edible locations nationwide. In addition, due to Edible's significant e-commerce expertise and scale, we have also executed an ecommerce licensing agreement with Edible, whereby Edible is expected to sell a wide variety of chocolates, candies and other confectionery products produced by the Company or its franchisees through Edible's websites. There is no assurance that the strategic alliance and ecommerce agreements will be deployed into our operations and to our satisfaction, or that we will achieve the expected full benefits from these agreements.

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand and its subsidiaries at February 28, 2021:

	Sold, Not Yet Open	Open	Total
Rocky Mountain Chocolate Factory			
Company-owned stores	-	2	2
Franchise stores - Domestic stores and kiosks	3	158	161
International license stores	1	53	54
Cold Stone Creamery - co-branded	5	96	101
U-Swirl (Including all associated brands)			
Company-owned stores - co-branded	-	3	3
Franchise stores - Domestic stores	1	65	66
Franchise stores - Domestic - co-branded	-	6	6
International license stores	-	1	1
Total	10	384	394

Consolidation

Management accounts for the activities of the Company and its subsidiaries, and the accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits. This amount was approximately \$5.1 million at February 28, 2021.

Accounts and Notes Receivable

In the normal course of business, the Company extends credit to customers, primarily franchisees that satisfy pre-defined credit criteria. The Company believes that it has limited concentration of credit risk primarily because its receivables are secured by the assets of the franchisees to which the Company ordinarily extends credit, including, but not limited to, their franchise rights and inventories. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable, assessments of collectability based on historical trends, and an evaluation of the impact of current and projected economic conditions. The process by which the Company performs its analysis is conducted on a customer by customer, or franchisee by franchisee, basis and takes into account, among other relevant factors, sales history, outstanding receivables, customer financial strength, as well as customer specific and geographic market factors relevant to projected performance. The Company monitors the collectability of its accounts receivable on an ongoing basis by assessing the credit worthiness of its customers and evaluating the impact of reasonably likely changes in economic conditions that may impact credit risks. Estimates with regard to the collectability of accounts receivable are reasonably likely to change in the future. At February 28, 2021, the Company had \$239,631 of notes receivable outstanding and an allowance for doubtful accounts of \$112,287 associated with these notes, compared to \$450,215 of notes receivable outstanding and an allowance for doubtful accounts of \$0 at February 29, 2020. The notes require monthly payments and bear interest rates ranging from 4.5% to 6%. The notes mature through November 2023 and approximately \$135,000 of notes receivable are secured by the assets financed. The Company may experience the failure of its wholesale customers, including its franchisees, to whom it extends credit to pay amounts owed to the Company on time, or at all, particularly if such customers are significantly impacted by COVID-19. As of March 1, 2020 and 2019 the Company had \$4,049,959 and \$3,993,262, respectively, of accounts receivable.

Inventories

Inventories are stated at the lower of cost or net realizable value, which is adjusted for obsolete, damaged and excess inventories to the lower of cost or net realizable value based on actual differences. The inventory value is determined through analysis of items held in inventory, and, if the recorded value is higher than the market value, the Company records an expense to reduce inventory to its actual market value. The process by which the Company performs its analysis is conducted on an item by item basis and takes into account, among other relevant factors, market value, sales history and future sales potential. Cost is determined using the first-in, first-out method.

Property and Equipment and Other Assets

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life of the asset, which range from five to thirty-nine years. Leasehold improvements are amortized on the straight-line method over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company reviews its long-lived assets through analysis of estimated fair value, including identifiable intangible assets, whenever events or changes indicate the carrying amount of such assets may not be recoverable.

Income Taxes

The Company provides for income taxes pursuant to the liability method. The liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax basis of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not. Due to historical U-Swirl losses, prior to FY 2016 the Company established a full valuation allowance on the Company's deferred tax assets. During FY 2016 the Company took possession of the outstanding equity in U-Swirl. As a result of the Company's ownership increasing to 100%, the Company began filing consolidated income tax returns in FY 2017. Because of this change, the Company has recognized the full value of deferred tax assets that had full valuation allowances prior to FY 2016. During the fourth quarter of FY 2017 the Company further evaluated the value of deferred tax assets and determined that the assets are restricted due to a limitation on the deductibility of future losses in accordance with Section 382 of the Internal Revenue Code as a result of the foreclosure transaction. The Company's temporary differences are listed in Note 14.

Gift Card Breakage

The Company and its franchisees sell gift cards that are redeemable for product in stores. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the redemption of gift cards in their stores. A liability for unredeemed gift cards is included current liabilities in the balance sheets.

There are no expiration dates on the Company's gift cards, and the Company does not charge any service fees. While the Company's franchisees continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption to be remote for certain cards due to long periods of inactivity. The Company has historically accumulated gift card liabilities and has not recognized breakage associated with the gift card liability. The adoption of ASU 2014-09, "REVENUE FROM CONTRACTS WITH

CUSTOMERS” (“ASC 606”) during FY 2019 requires the use of the “proportionate” method for recognizing breakage, which the Company has not historically utilized. Upon adoption of ASC 606 the Company began recognizing breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote (“gift card breakage”). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. Accrued gift card liability was \$617,438 and \$609,842 at February 28, 2021 and February 29, 2020, respectively. The Company recognized breakage of \$53,160 and \$168,090 during FY 2021 and FY 2020, respectively. See Note 3 to the financial statements for a complete description of the adjustments recorded upon the adoption of ASC 606.

Goodwill

Goodwill arose primarily from two transaction types. The first type was the purchase of various retail stores, either individually or as a group, for which the purchase price was in excess of the fair value of the assets acquired. The second type was from business acquisitions, where the fair value of the consideration given for acquisition exceeded the fair value of the identified assets net of liabilities.

The Company performs a goodwill impairment test on an annual basis or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. During FY 2021, as a result of the impact of the COVID-19 pandemic, the impairment test was completed during the three months ended May 31, 2020 (the first quarter). Recoverability of goodwill is evaluated through comparison of the fair value of each of the Company’s reporting units with its carrying value. To the extent that a reporting unit’s carrying value exceeds the implied fair value of its goodwill, an impairment loss is recognized. The Company’s goodwill is further described in Note 7 to the financial statements.

Franchise Rights

Franchise rights arose from the entry into agreements to acquire substantially all of the franchise rights of Yogurtini, CherryBerry, Fuzzy Peach, Let’s Yo! and Yogli Mogli. Franchise rights are amortized over a period of 20 years.

Insurance and Self-Insurance Reserves

The Company uses a combination of insurance and self-insurance plans to provide for the potential liabilities for workers’ compensation, general liability, property insurance, director and officers’ liability insurance, vehicle liability and employee health care benefits. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other assumptions. While the Company believes that its assumptions are appropriate, the estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Sales

The Company has performance obligations to sell products to franchisees and other customers, and revenue is recognized at a point in time. Control is transferred when the order has been shipped to a customer, utilizing a third party, or at the time of delivery when shipped on the Company’s trucks. Revenue is measured based on the amount of consideration that is expected to be received by the Company for providing goods or services under a contract with a customer. Sales of products to franchisees and other customers are made at standard prices, without any bargain sales of equipment or supplies. Sales of products at retail stores are recognized at the time of sale.

Rebates

Rebates received from purveyors that supply products to the Company’s franchisees are included in franchise royalties and fees. Product rebates are recognized in the period in which they are earned. Rebates related to Company-owned locations are offset against operating costs.

Shipping Fees

Shipping fees charged to customers by the Company’s trucking department are reported as sales. Shipping costs incurred by the Company for inventory are reported as cost of sales or inventory.

Franchise and Royalty Fees

Beginning in FY 2019, upon adoption of ASC 606, the Company began recognizing franchise fees over the term of the associated franchise agreement, which is generally a period of 10 to 15 years. Prior to FY 2019, franchise fee revenue was recognized upon opening of the franchise store. In addition to the initial franchise fee, the Company also recognizes a marketing and promotion fee of one percent (1%) of franchised stores’ gross retail sales and a royalty fee based on gross retail sales. The Company recognizes no royalty on franchised stores’ retail sales of products purchased from the Company and recognizes a ten percent (10%) royalty on all other sales of product sold at franchise locations. Royalty fees for U-Swirl cafés are based on the rate defined in the acquired contracts for the franchise rights and range from 2.5% to 6% of gross retail sales.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Vulnerability Due to Certain Concentrations

In June 2019, the Company's largest customer, FTD Companies, Inc. and its domestic subsidiaries ("FTD"), filed for Chapter 11 bankruptcy proceedings. As a part of such bankruptcy proceedings, divisions of FTD's business and certain related assets, including the divisions that the Company has historically sold product to, were sold through an auction to multiple buyers.

Revenue from FTD represented approximately \$243,000 or 1% of our total revenues during the year ended February 28, 2021, approximately \$1.5 million or 5% of our total revenues during the year ended February 29, 2020 and revenue of approximately \$3.1 million or 9% of our total revenues during the year ended February 28, 2019. Our future results may be adversely impacted by further decreases in the purchases of this customer or the loss of this customer entirely.

As described above, In FY 2020, we entered into a long-term strategic alliance whereby we intend to become the exclusive provider of certain branded chocolate products to Edible. Also in FY 2020, the founder of Edible was elected to the Company's Board of Directors, but subsequently resigned his position on the Board of Directors in January 2021. During the year ended February 28, 2021, the Company recognized approximately \$3.5 million or 15% of our total revenue from revenue related to purchases by Edible. Subsequent to February 28, 2021, certain disagreements arose between RMCF and Edible related to the strategic alliance and ecommerce agreements resulting in continuing discussions, the result of which are not currently determinable. There can be no assurance historical revenue levels will be indicative of future revenues.

Stock-Based Compensation

At February 28, 2021, the Company had one stock-based compensation plan, the Company's 2007 Equity Incentive Plan (as amended and restated), for employees and non-employee directors which authorized the granting of equity awards.

The Company recognized \$511,835, \$866,177, and \$519,772 related to equity-based compensation expense during the years ended February 28 or 29, 2021, 2020 and 2019, respectively. Compensation costs related to share-based compensation are generally recognized over the vesting period.

During FY 2021, the Company did not grant any restricted stock units to employees or non-employee directors. During FY 2020, the Company granted 280,000 restricted stock units to employees and non-employee directors. There were no stock options granted to employees during FY 2021 or FY 2020. The restricted stock unit grants generally vest 17 to 20% annually, or 5% per quarter over a period of five to six years. The Company recognized \$511,835 of consolidated stock-based compensation expense related to restricted stock unit grants during FY 2021 compared with \$598,155 in FY 2020 and \$463,795 in FY 2019. Total unrecognized stock-based compensation expense of non-vested, non-forfeited shares granted, as of February 28, 2021 was \$1,614,140, which is expected to be recognized over the weighted average period of 3.7 years.

The Company did not issue any fully vested, unrestricted shares of stock to non-employee directors during the year ended February 28, 2021 compared to 14,078 shares issued during the year ended February 29, 2020 and 2,000 shares issued during the year ended February 28, 2019. In connection with these non-employee director stock issuances, the Company recognized \$0, \$130,172 and \$24,480 of stock-based compensation expense during year ended February 28 or 29, 2021, 2020 and 2019, respectively.

The Company issued 15,000 fully vested, unrestricted shares of stock as bonus compensation to its Chief Executive Officer during the year ended February 29, 2020 in consideration of the entry into a strategic alliance with Edible, as discussed below. Associated with this unrestricted stock award, the Company recognized \$137,850 in stock-based compensation expense during the year ended February 29, 2020.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options and restricted stock units. Following the expiration of all outstanding options, during FY 2017, no stock options were excluded from diluted shares.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the year ended February 28, 2021, 960,677 shares of common stock warrants and 217,103 shares of unvested restricted stock units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Advertising and Promotional Expenses

The Company expenses advertising costs as incurred. Total advertising expense for RMCF amounted to \$265,285, \$276,602, and \$275,441 for the fiscal years ended February 28 or 29, 2021, 2020 and 2019, respectively. Total advertising expense for U-Swirl and its brands amounted to \$95,215, \$203,004, and \$168,000 for the fiscal years ended February 28 or 29, 2021, 2020 and 2019, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, payables, notes payable and notes receivable. The fair value of all instruments approximates the carrying value, because of the relatively short maturity of these instruments.

Recent Accounting Pronouncements

Except for the recent accounting pronouncements described below, other recent accounting pronouncements are not expected to have a material impact on our consolidated financial statements.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments. ASU 2016-13 is effective for the Company's fiscal year beginning March 1, 2023 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Under the amendments in ASU 2017-04, an entity should (1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, ASU 2017-04 requires any reporting unit with a zero or negative carrying amount to perform Step 2 of the goodwill impairment test. We adopted ASU 2017-04 effective March 1, 2020 (the first quarter of our 2021 fiscal year). The adoption of ASU 2017-04 contributed to the impairment calculations contained within Note 8.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes. This guidance will be effective for entities for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 on a prospective basis, with early adoption permitted. We will adopt ASU 2019-12 effective March 1, 2021 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Related Party Transactions

As described above, in FY 2020 and early FY 2021, the Company entered into a long-term strategic alliance and commerce agreement, respectively, with Edible whereby the Company is intended to become the exclusive provider of certain branded chocolate products to Edible. Also in FY 2020 the founder of Edible was elected to the Company's Board of Directors, but subsequently resigned his position on the Board of Directors in January 2021. During the year ended February 28, 2021, the Company recognized approximately \$3.5 million of revenue related to purchases from Edible, its affiliates and its franchisees.

NOTE 2 - SUPPLEMENTAL CASH FLOW INFORMATION

For the three years ended February 28 or 29:

Cash paid (received) for:	2021	2020	2019
Interest	\$ 76,803	\$ 20,610	\$ 72,619
Income taxes	(21,021)	619,276	638,252
Non-cash Operating Activities			
Accrued Inventory	148,254	191,459	52,918
Non-cash Financing Activities			
Dividend payable	\$ -	\$ 722,344	\$ 714,939

NOTE 3 –REVENUE FROM CONTRACTS WITH CUSTOMERS

Effective March 1, 2018, the Company adopted ASC 606. 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 new standard does not impact the Company's recognition of revenue from sales of confectionary items to the Company's franchisees and others, or in its Company-owned stores as those sales are recognized at the time of the underlying sale and are presented net of sales taxes and discounts. The standard also does not change the recognition of royalties and marketing fees from franchised or licensed locations, which are based on a percent of sales and recognized at the time the sales occur. The standard does change the timing in which the Company recognizes initial fees from franchisees and licensees for new franchise locations and renewals that affect the term of the franchise agreement. The Company generally receives a fee associated with the Franchise Agreement or License Agreement (collectively "Customer Contracts") at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract the Company is obligated to many performance obligations that the Company has not determined are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

The Company's policy for recognizing initial franchise and renewal fees through February 28, 2018 was to recognize initial franchise fees upon new store openings and renewals that impact the term of the franchise agreement upon renewal. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and will be treated as a single performance obligation. Beginning March 1, 2018, initial franchise fees are being recognized as the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10-15 years.

The following table summarizes contract liabilities as of February 28, 2021 and February 29, 2020:

	Twelve Months Ended	
	February 29 or 28:	
	2021	2020
Contract liabilities at the beginning of the year:	\$ 1,155,809	\$ 1,352,572
Revenue recognized	(226,720)	(324,982)
Contract fees received	201,000	140,750
Amortized gain on the financed sale of equipment	(10,443)	(12,531)
Contract liabilities at the end of the year:	\$ 1,119,646	\$ 1,155,809

At February 28, 2021, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following:

2022	\$ 194,737
2023	184,224
2024	151,856
2025	136,780
2026	124,489
Thereafter	327,560
Total	\$ 1,119,646

Gift Cards

The Company's franchisees sell gift cards, which do not have expiration dates or non-usage fees. The proceeds from the sale of gift cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. The Company has historically accumulated gift card liabilities and has not recognized breakage associated with the gift card liability. The adoption of ASC 606 requires the use of the "proportionate" method for recognizing breakage, which the Company has not historically utilized. Upon adoption of ASC 606 the Company began recognizing breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns.

NOTE 4 – DISAGGREGATION OF REVENUE

The following table presents disaggregated revenue by the method of recognition and segment:
For the Year Ended February 28, 2021

Revenues recognized over time under ASC 606:						
	Franchising	Manufacturing	Retail		U-Swirl	Total
Franchise fees	\$ 178,042	\$ -	\$ -		\$ 48,678	\$ 226,720
Revenues recognized at a point in time:						
	Franchising	Manufacturing	Retail		U-Swirl	Total
Factory sales	-	17,321,001	-		-	17,321,001
Retail sales	-	-	896,793		961,653	1,858,446
Royalty and marketing fees	3,367,345	-	-		707,193	4,074,538
Total	\$ 3,545,387	\$ 17,321,001	\$ 896,793		\$ 1,717,524	\$ 23,480,705

For the Year Ended February 29, 2020

Revenues recognized over time under ASC 606:						
	Franchising	Manufacturing	Retail		U-Swirl	Total
Revenues recognized over time under ASC 606:						
Franchise fees	\$ 230,543	\$ -	\$ -		\$ 94,439	\$ 324,982
Revenues recognized at a point in time:						
	Franchising	Manufacturing	Retail		U-Swirl	Total
Factory sales	-	21,516,530	-		-	21,516,530
Retail sales	-	-	1,104,171		2,098,267	3,202,438
Royalty and marketing fees	5,300,089	-	-		1,505,757	6,805,846
Total	\$ 5,530,632	\$ 21,516,530	\$ 1,104,171		\$ 3,698,463	\$ 31,849,796

NOTE 5 - INVENTORIES

Inventories consist of the following at February 28 or 29:

	2021		2020	
Ingredients and supplies	\$	2,464,123	\$	2,186,652
Finished candy		1,888,818		1,827,767
U-Swirl food and packaging		39,518		56,708
Reserve for slow moving inventory		(329,574)		(320,149)
Total inventories	\$	4,062,885	\$	3,750,978

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at February 28 or 29:

	2021	2020
Land	\$ 513,618	\$ 513,618
Building	4,827,807	5,031,395
Machinery and equipment	10,129,508	10,664,396
Furniture and fixtures	797,303	852,557
Leasehold improvements	985,407	1,154,396
Transportation equipment	429,789	440,989
	17,683,432	18,657,351
Less accumulated depreciation	(12,531,417)	(12,719,338)
Property and equipment, net	\$ 5,152,015	\$ 5,938,013

Depreciation expense related to property and equipment totaled \$765,764, \$786,648, and \$865,479 during the fiscal years ended February 28 or 29, 2021, 2020 and 2019, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following at February 28 or 29:

	Amortization Period	2021		2020	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10 Years	\$ 394,826	\$ 221,504	\$ 295,779	\$ 215,653
Packaging licenses	3-5 Years	120,830	120,830	120,830	120,830
Packaging design	10 Years	430,973	430,973	430,973	430,973
Trademark/Non-competition agreements	5-20 Years	556,339	333,715	715,339	297,072
Franchise rights	20 Years	5,979,637	3,459,873	5,979,637	2,931,949
Total		7,482,605	4,566,895	7,542,558	3,996,477
Intangible assets not subject to amortization					
Franchising segment-					
Company stores goodwill		\$ 515,065		\$ 832,308	
Franchising goodwill		97,318		97,318	
Manufacturing segment-goodwill		97,318		97,318	
Trademark		20,000		20,000	
Total goodwill		729,701		1,046,944	
Total Intangible Assets		\$ 8,212,306	\$ 4,566,895	\$ 8,589,502	\$ 3,996,477

Amortization expense related to intangible assets totaled \$570,418, \$706,177, and \$844,320 during the fiscal years ended February 28 or 29, 2021, 2020 and 2019, respectively.

At February 28, 2021, annual amortization of intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following:

2022	\$ 483,959
2023	409,393
2024	346,672
2025	294,427
2026	251,342
Thereafter	1,129,917
Total	\$ 2,915,710

During FY 2020, the Company initiated a store design project. The initiative added approximately \$174,000 of intangible assets during FY 2021. This project will be amortized over a life of 10 years.

NOTE 8 – IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

We assess the potential impairment of our long-lived assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of the assets or asset group may not be recoverable. Due to the significant impact of the COVID-19 pandemic on our operations, we determined it was necessary to perform an interim test of our long-lived assets during the three months ended May 31, 2020 as we believe that the COVID-19 pandemic was a triggering event. For the remainder of FY 2021, the Company does not believe there were any triggering events. Based on the results of these assessments, we recorded \$476,243 of goodwill and intangible impairment expense. This expense is presented within general and administrative expense on the Consolidated Statements of Operations. No additional tests for impairment were determined to be necessary during FY 2021.

The assessment of our goodwill, trademark and long-lived asset fair values includes many assumptions that are subject to risk and uncertainties. The primary assumptions, which are all Level 3 inputs of the fair value hierarchy (inputs to the valuation methodology that are unobservable and significant to the fair value measurement), used in our impairment testing consist of:

- Expected future cash flows from operation of our Company-owned units.
- Forecasted future royalty revenue, marketing revenue and associated expenses.
- Projected rate of royalty savings on trademarks.
- Our cost of capital.

As of February 28, 2021, costs associated with the impairment of long-lived and intangible assets consist of the following:

Company store goodwill impairment	\$317,243
Trademark intangible asset impairment	159,000
Company-owned store impairment of long-lived assets	57,100
Total	\$533,343

Certain interim tests conducted during the three months ended May 31, 2020 did not indicate a need for impairment. Franchise rights, store design, manufacturing segment goodwill and franchising goodwill tests succeeded during the interim period. We believe we have made reasonable estimates and judgements, however, further COVID-19-related impacts could cause interim testing to be performed in future periods and further impairments recorded if testing of impairments are not successful in future periods. Following the three months ended May 31, 2020 there have been no further events that would trigger subsequent testing for impairment.

NOTE 9 –NOTES PAYABLE

Paycheck Protection Program

During FY 2021 the Company received promissory notes pursuant to the Paycheck Protection Program (“PPP”), under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration (the “SBA Loans”). The Company received total proceeds of \$1.5 million from SBA Loans. During the three months ended November 30, 2020, approximately \$108,000 of the original loan proceeds was forgiven by the SBA and during the three months ended February 28, 2021 the remaining approximately \$1.4 million of the original loan proceeds was forgiven.

The amount of loan proceeds eligible for forgiveness was based on a formula based on a number of factors, including the amount of loan proceeds used by the Company during the period after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other things, at least 60-75% of the loan amount is used for eligible payroll costs, the employer maintaining or rehiring employees and maintaining salaries at a certain level. In accordance with the requirements of the CARES Act and the PPP, the Company believes it has used the proceeds from the SBA Loans for qualifying expenses.

Revolving Credit Line

The Company has a \$5.0 million credit line for general corporate and working capital purposes, of which \$5.0 million was available for borrowing (subject to certain borrowing base limitations) as of February 28, 2021. The credit line is secured by substantially all of the Company’s assets, except retail store assets. Interest on borrowings is at LIBOR plus 2.25% (2.4% at February 28, 2021). Additionally, the

line of credit is subject to various financial ratio and leverage covenants. At February 28, 2021, the Company was in compliance with all such covenants. The credit line is subject to renewal in September 2021.

NOTE 10 - STOCK COMPENSATION PLANS

In FY 2021, stockholders approved an amendment and restatement of the 2007 Equity Incentive Plan (as amended and restated, the "2007 Plan"). The 2007 Plan allows awards of stock options, stock appreciation rights, stock awards, restricted stock and stock units, performance shares and performance units, and other stock- or cash-based awards.

The following table summarizes stock awards under the 2007 Plan as of February 28, 2021:

Original share authorization:	300,000
Prior plan shares authorized and incorporated in the 2007 Plan:	85,340
Additional shares authorized through 2007 Plan amendments:	600,000
Available for award:	985,340
Cancelled/forfeited:	201,815
Shares awarded as unrestricted shares, stock options or restricted stock units:	(866,487)
Shares available for award:	320,668

Information with respect to restricted stock unit awards outstanding under the 2007 Plan at February 28, 2021, and changes for the three years then ended was as follows:

	Twelve Months Ended		
	February 28 or 29:		
	2021	2020	2019
Outstanding non-vested restricted stock units at beginning of year:	265,555	25,002	77,594
Granted	-	280,000	-
Vested	(54,761)	(38,835)	(49,058)
Cancelled/forfeited	(1,344)	(612)	(3,534)
Outstanding non-vested restricted stock units as of February 28:	209,450	265,555	25,002
Weighted average grant date fair value	\$ 9.40	\$ 9.39	\$ 12.05
Weighted average remaining vesting period (in years)	3.68	4.56	0.38

The Company has no outstanding stock options as of February 28, 2021, February 29, 2020, or February 28, 2019.

NOTE 11 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee of some franchised store premises, which the Company then subleases to franchisees, but the majority of existing franchised locations are leased by the franchisee directly.

In some instances, the Company has leased space for its Company-owned locations that are now occupied by franchisees. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

The following is a schedule of lease expense for all retail operating leases for the three years ended February 28 or 29:

	2021	2020	2019
Minimum rentals	\$ 428,421	\$ 733,190	\$ 1,030,536
Less sublease rentals	(113,515)	(318,000)	(572,000)
Contingent rentals	27,803	21,600	22,800
	\$ 342,708	\$ 436,790	\$ 481,336

The Company also leases trucking equipment and warehouse space in support of its manufacturing operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

The following is a schedule of lease expense for trucking equipment operating leases for the three years ended February 28 or 29:

2021	2020	2019
340,731	342,297	325,229

ASU 2016-02 allows, as a practical expedient, the retention of the classification of existing leases as operating or financing. All of the Company's leases are classified as operating leases and that classification has been retained upon adoption. The Company does not believe the utilization of this practical expedient has a material impact on lease classifications.

The amount of the 'Right of Use Asset' and 'Lease Liability' recorded in the Consolidated Balance Sheets upon the adoption of ASU 2016-02 was \$3.3 million. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the 'Right of Use Asset' and 'Lease Liability' include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the 'Right of Use Asset' and 'Lease Liability' except in instances where such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the 'Right of Use Asset' and 'Lease Liability,' the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 3.4% as of February 28, 2021. The total estimated future minimum lease payments is \$2.2 million.

As of February 28, 2021, maturities of lease liabilities for the Company's operating leases were as follows:

FYE 22	\$	694,755
FYE 23		437,445
FYE 24		315,962
FYE 25		164,223
FYE 26		63,727
Thereafter		489,090
Total	\$	2,165,202
Less: Imputed interest		(204,500)
Present value of lease liabilities:	\$	1,960,702

Weighted average lease term 6.9

The Company did not have any leases categorized as finance leases as of February 28, 2021.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between six to eighteen months for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract. As of February 28, 2021, the Company was contracted for approximately \$377,000 of raw materials under such agreements. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. At February 28, 2021, the Company was not a party to any legal proceedings that were expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or operating results.

NOTE 13 – STOCKHOLDERS’ EQUITY

Cash Dividend

The Company paid a quarterly cash dividend of \$0.12 per common share on March 13, 2020 to stockholders of record on February 28, 2020.

Future declarations of dividends will depend on, among other things, the Company's results of operations, financial condition, capital requirements, and on such other factors as the Company's Board of Directors may in its discretion consider relevant and in the best long-term interest of the Company's stockholders.

As previously announced in May 2020, the Board of Directors suspended the Company's first quarter cash dividend payment to preserve cash and provide additional flexibility in the current environment as a result of the economic impact of COVID-19. Furthermore, the Board of Directors has suspended future quarterly dividends until the significant uncertainty of the current public health crisis and global economic climate has passed, and the Board of Directors determines that resumption of dividend payments is in the best interest of the Company and its stockholders.

Stock Repurchases

On July 15, 2014, the Company publicly announced a plan to repurchase up to \$3.0 million of its common stock in the open market or in private transactions, whenever deemed appropriate by management. As of February 28, 2021, approximately \$638,000 remains available under the repurchase plan for further stock repurchases.

Warrants

In consideration of Edible entering into the exclusive supplier agreement and the performance of its obligations therein, on December 20, 2019, the Company issued Edible a warrant (the "Warrant") to purchase up to 960,677 shares of the Company's common stock (the "Warrant Shares") at an exercise price of \$8.76 per share. The Warrant Shares vest in annual tranches in varying amounts following each contract year under the exclusive supplier agreement, subject to, and only upon, Edible's achievement of certain revenue thresholds on an annual or cumulative five-year basis in connection with its performance under the exclusive supplier agreement. The Warrant expires six months after the final and conclusive determination of revenue thresholds for the fifth contract year and the cumulative revenue determination in accordance with the terms of the Warrant.

The Company determined that the grant date fair value of the warrants was de minimis and did not record any amount in consideration of the warrants. The Company utilized a Monte Carlo model for purposes of determining the grant date fair value.

NOTE 14 - INCOME TAXES

Income tax expense (benefit) is comprised of the following for the years ended February 28 or 29:

	2021	2020	2019
Current			
Federal	\$ (398,303)	\$ 306,000	\$ 653,226
State	21,074	85,157	142,570
Total Current	(377,229)	391,157	795,796
Deferred			
Federal	(441,734)	(19,350)	(67,410)
State	(72,951)	(3,307)	(11,524)
Total Deferred	(514,685)	(22,657)	(78,934)
Total	\$ (891,914)	\$ 368,500	\$ 716,862

A reconciliation of the statutory federal income tax rate and the effective rate as a percentage of pretax income is as follows for the years ended February 28 or 29:

	2021	2020	2019
Statutory rate	21.0%	21.0%	21.0%
State income taxes, net of federal benefit	4.0%	4.6%	3.4%
Paycheck Protection Program debt forgiveness	18.0%	0.0%	0.0%
Work opportunity tax credits	0.2%	(1.1)%	(0.7)%
Equity compensation tax expense	(1.7)%	1.4%	0.0%
Other	0.1%	0.4%	0.5%
Impact of CARES act	8.2%	0.0%	0.0%
Effective tax rate	49.8%	26.3%	24.2%

During FY 2021 the Company's effective tax rate resulted in recognition of an income tax benefit as a result of a pretax loss being recognized for the year, compared with income tax expense being recognized on pretax income during FY 2020 and FY 2019.

The components of deferred income taxes at February 28 or 29 are as follows:

	2021	2020
Deferred Tax Assets		
Allowance for doubtful accounts and notes	\$ 357,573	\$ 157,107
Inventories	81,042	78,724
Accrued compensation	140,702	137,786
Loss provisions and deferred income	389,858	397,535
Self-insurance accrual	31,721	37,623
Amortization	396,195	299,373
Restructuring charges	98,693	98,693
Accumulated net losses	445,414	401,699
Valuation allowance	(98,693)	(98,693)
Net deferred tax assets	\$ 1,842,505	\$ 1,509,847
Deferred Tax Liabilities		
Depreciation and amortization	(653,798)	(779,023)
Prepaid expenses	(43,943)	(100,746)
Deferred Tax Liabilities	(697,741)	(879,769)
Net deferred tax assets	\$ 1,144,764	\$ 630,078

The following table summarizes deferred income tax valuation allowances as of February 28 or 29:

	2021	2020
Valuation allowance at beginning of period	\$ 98,693	\$ 98,693
Tax expense (benefits) realized by valuation allowance	-	-
Tax benefits released from valuation allowance	-	-
Impact of tax reform	-	-
Valuation allowance at end of period	\$ 98,693	\$ 98,693

The effective income tax rate for the year ended February 28, 2021 increased from the years ended February 29, 2020 and February 28, 2019, primarily as a result of debt forgiveness income being realized with no associated income tax expense and the revaluation of a portion of deferred tax assets as a result of the Company realizing a taxable loss during FY 2021 that can be carried back to prior periods with a higher effective income tax rate.

Under the recently enacted CARES Act a net operating loss ("NOL") arising during the Company's fiscal year 2021 can be carried back for five years to offset the Company's taxable income for fiscal years 2016-2020. This five-year period spans Federal effective tax rates for the Company ranging from 21% to 34%, the result of the Tax Cuts and Jobs Act enacted during the Company's fiscal year ended February 28, 2018.

The Company's deferred tax assets are valued at the current federally enacted rate of 21%. The loss carryback provisions of the CARES Act will enable the Company to offset taxable income from prior years when federally enacted tax rates were higher than 21%. As a result, the Company incurred a gain associated with the revaluation of the Company's deferred tax assets in the amount of \$148,000 during FY 2021.

In December 2020 the Consolidated Appropriations Act, 2021 (bill) inclusive of additional coronavirus aid was signed into law. Among the many provisions of the bill, expenses related to the receipt of paychecks protection program funds ("PPP) that were previously determined to be non-deductible by the Internal Revenue Service ("IRS") may now be deducted for federal income tax purposes. As a result, the Company realized debt forgiveness income of \$1.5 million during FY 2021 with no associated income taxes.

The Company files income tax returns in the U.S. federal and various state taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before FY 2016. The Company's federal income tax returns have been examined for the years ended February 28 or 29, 2017, 2016, 2015 and 2014 and the examinations did not result in any changes to the income tax returns filed for these years.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income, in the appropriate tax jurisdictions, in future years to obtain benefit from the reversal of net deductible temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. Management believes that, with the exception of the deferred tax asset related to restructuring charges, it is more likely than not that RMCF will realize the benefits of its deferred tax assets as of February 28, 2021.

The Company accounts for uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. As such, the Company is required to make judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's judgments which can materially affect amounts recognized in the balance sheets and statements of operations. The result of the assessment of the Company's tax positions did not have an impact on the consolidated financial statements for the years ended February 28 or 29, 2021 or 2020. The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts are recognized for income tax related interest and penalties as a component of general and administrative expense in the statement of income and are immaterial for years ended February 28 or 29, 2021 and 2020.

As of February 29, 2016, the Company foreclosed on the outstanding equity of U-Swirl and U-Swirl was consolidated for income tax purposes. SWRL, along with U-Swirl had historically filed its own consolidated federal income tax return and reported its own Federal net operating loss carry forward. In accordance with Section 382 of the Internal Revenue Code, deductibility of SWRL's and U-Swirl's Federal net operating loss carryovers may be subject to annual limitation in the event of a change in control. The Company has performed a preliminary evaluation as to whether a change in control has taken place, and have concluded that there was a change of control with respect to the net operating losses of U-Swirl when the Company acquired its controlling ownership interest in January 2013 and again in February 2016 when the Company foreclosed on the stock of U-Swirl. The initial limitations will continue to limit deductibility of SWRL's and U-Swirl's net operating loss carryovers, but the annual loss limitation will be deductible to RMCF and U-Swirl International Inc. upon the filing of joint tax returns in FY 2017 and future years.

The Company estimates that the potential future tax deductions of U-Swirl's Federal net operating losses, limited by section 382, to be approximately \$1,811,000 with a resulting deferred tax asset of approximately \$445,000. U-Swirl's Federal net operating loss carryovers will expire at various dates beginning in 2026.

NOTE 15 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan called the Rocky Mountain Chocolate Factory, Inc. 401(k) Plan. Eligible participants are permitted to make contributions up to statutory limits. The Company makes a matching contribution, which vests ratably over a 3-year period, and is 25% of the employee's contribution up to a maximum of 1.5% of the employee's compensation. During the years ended February 28 or 29, 2021, 2020 and 2019, the Company's contribution was approximately \$62,000, \$61,000, and \$70,000, respectively, to the plan.

NOTE 16 - OPERATING SEGMENTS

The Company classifies its business interests into five reportable segments: Rocky Mountain Chocolate Factory, Inc. Franchising, Manufacturing, Retail Stores, U-Swirl operations and Other, which is the basis upon which the Company's chief operating decision maker evaluates the Company's performance. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to these consolidated financial statements. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the differences in products and services:

FY 2021	Franchising	Manufacturing	Retail	U-Swirl	Other	Total
Total revenues	\$ 3,549,055	\$ 18,316,165	\$ 896,793	\$ 1,717,524	\$ -	\$ 24,479,537
Intersegment revenues	(3,668)	(995,164)	-	-	-	(998,832)
Revenue from external customers	3,545,387	17,321,001	896,793	1,717,524	-	23,480,705
Segment profit (loss)	846,039	1,422,491	(309,799)	(636,474)	(3,113,948)	(1,791,691)
Total assets	1,338,990	9,330,194	634,124	4,907,029	8,740,815	24,951,152
Capital expenditures	150	103,003	4,505	4,975	41,859	154,492
Total depreciation & amortization	\$ 42,579	\$ 642,806	\$ 14,150	\$ 557,735	\$ 78,912	\$ 1,336,182
FY 2020	Franchising	Manufacturing	Retail	U-Swirl	Other	Total
Total revenues	\$ 5,535,564	\$ 22,570,723	\$ 1,104,171	\$ 3,698,463	\$ -	\$ 32,908,921
Intersegment revenues	(4,932)	(1,054,193)	-	-	-	(1,059,125)
Revenue from external customers	5,530,632	21,516,530	1,104,171	3,698,463	-	31,849,796
Segment profit (loss)	2,530,449	4,009,282	42,433	485,185	(5,665,017)	1,402,332
Total assets	1,221,975	11,796,822	1,006,320	6,026,394	7,765,877	27,817,388
Capital expenditures	24,422	840,459	28,443	3,997	86,620	983,941
Total depreciation & amortization	\$ 44,166	\$ 615,162	\$ 12,983	\$ 726,615	\$ 93,899	\$ 1,492,825
FY 2019	Franchising	Manufacturing	Retail	U-Swirl	Other	Total
Total revenues	\$ 5,361,528	\$ 25,324,024	\$ 1,272,009	\$ 3,737,606	\$ -	\$ 35,695,167
Intersegment revenues	(5,236)	(1,144,484)	-	-	-	(1,149,720)
Revenue from external customers	5,356,292	24,179,540	1,272,009	3,737,606	-	34,545,447
Segment profit (loss)	2,288,871	4,310,722	(52,009)	(32,391)	(3,559,532)	2,955,661
Total assets	1,182,355	12,267,458	1,001,419	5,264,989	6,505,920	26,222,141
Capital expenditures	3,548	526,402	9,617	16,512	57,707	613,786
Total depreciation & amortization	\$ 46,369	\$ 573,846	\$ 32,762	\$ 952,178	\$ 104,644	\$ 1,709,799

NOTE 17 – SUMMARIZED QUARTERLY DATA (UNAUDITED)

Following is a summary of the quarterly results of operations for the fiscal years ended February 28 or 29, 2021 and 2020:

2021	Fiscal Quarter					Total
	First	Second	Third	Fourth		
Total revenue	\$ 2,702,437	\$ 5,327,402	\$ 7,228,867	\$ 8,221,999	\$	23,480,705
Gross margin	(561,005)	940,589	1,413,765	1,267,473		3,060,822
Net (loss) income	(3,667,397)	76,132	523,695	2,167,793		(899,777)
Basic earnings per share	(0.61)	0.01	0.09	0.36		(0.15)
Diluted earnings per share	\$ (0.61)	\$ 0.01	\$ 0.08	\$ 0.35		(0.15)

2020	Fiscal Quarter					Total
	First	Second	Third	Fourth		
Total revenue	\$ 8,425,999	\$ 7,385,270	\$ 7,913,252	\$ 8,125,275	\$	31,849,796
Gross margin	1,845,867	1,645,605	1,534,424	1,478,176		6,504,072
Net (loss) income	711,609	918,088	(71,637)	(524,228)		1,033,832
Basic earnings per share	0.12	0.15	(0.01)	(0.09)		0.17
Diluted earnings per share	\$ 0.11	\$ 0.15	\$ (0.01)	\$ (0.08)	\$	0.17

NOTE 18 – COSTS ASSOCIATED WITH COMPANY-OWNED STORE CLOSURES

Costs associated with Company-owned store closures at February 28 or 29, 2021, 2020 and 2019 were comprised of the following:

	2021	2020	2019
Loss on distribution of assets	\$ 57,100	\$ 15,400	\$ 81,981
Lease settlement costs	-	-	145,000
Total	\$ 57,100	\$ 15,400	\$ 226,981

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended May 31,	
	2021	2020
Revenues		
Sales	\$ 5,830,198	\$ 2,322,211
Franchise and royalty fees	1,763,513	380,226
Total Revenue	7,593,711	2,702,437
Costs and Expenses		
Cost of sales	4,546,597	2,883,216
Franchise costs	551,650	421,245
Sales and marketing	412,657	474,090
General and administrative	844,821	3,179,475
Retail operating	444,067	319,211
Depreciation and amortization, exclusive of depreciation and amortization expense of \$151,899, \$157,510, respectively, included in cost of sales	148,015	185,605
Costs associated with Company-owned store closures	-	68,558
Total costs and expenses	6,947,807	7,531,400
Income (Loss) from Operations	645,904	(4,828,963)
Other Income (Expense)		
Interest Expense	-	(23,562)
Interest Income	4,571	5,800
Gain on insurance recovery	167,123	-
Other income (expense), net	171,694	(17,762)
Income (Loss) Before Income Taxes	817,598	(4,846,725)
Income Tax Provision (Benefit)	237,793	(1,179,328)
Consolidated Net Income (Loss)	\$ 579,805	\$ (3,667,397)
Basic Earnings (Loss) per Common Share	\$ 0.09	\$ (0.61)
Diluted Earnings (Loss) per Common Share	\$ 0.09	\$ (0.61)
Weighted Average Common Shares		
Outstanding - Basic	6,118,433	6,058,851
Dilutive Effect of Employee Stock Awards	171,277	-
Weighted Average Common Shares Outstanding - Diluted	6,289,710	6,058,851

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	May 31, 2021 (unaudited)	February 28, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,789,625	\$ 5,633,279
Accounts receivable, less allowance for doubtful accounts of \$1,401,294 and \$1,341,853, respectively	2,122,378	2,007,502
Notes receivable, current portion, less current portion of the valuation allowance of \$32,586 and \$32,571, respectively	76,137	84,819
Refundable income taxes	518,553	774,527
Inventories	4,399,030	4,062,885
Other	361,722	213,811
Total current assets	13,267,445	12,776,823
Property and Equipment, Net	5,593,453	5,152,015
Other Assets		
Notes receivable, less current portion and valuation allowance of \$79,701 and \$79,716, respectively	29,573	42,525
Goodwill, net	729,701	729,701
Franchise rights, net	2,409,341	2,519,764
Intangible assets, net	385,030	395,946
Deferred income taxes	1,121,688	1,144,764
Lease right of use asset	2,214,248	1,925,591
Other	52,148	264,023
Total other assets	6,941,729	7,022,314
Total Assets	\$ 25,802,627	\$ 24,951,152
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,152,572	\$ 1,297,211
Accrued salaries and wages	653,697	735,241
Gift card liabilities	553,373	617,438
Other accrued expenses	388,416	253,345
Contract liabilities	195,442	194,737
Lease liability	673,899	682,348
Total current liabilities	3,617,399	3,780,320
Lease Liability, Less Current Portion	1,576,839	1,278,354
Contract Liabilities, Less Current Portion	914,858	924,909
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$.001 par value per share; 250,000 authorized; -0- shares issued and outstanding	-	-
Series A Junior Participating Preferred Stock, 50,000 authorized; -0- shares issued and outstanding	-	-
Undesignated series, 200,000 shares authorized; -0- shares issued and outstanding	-	-
Common stock, \$.001 par value, 46,000,000 shares authorized, 6,118,995 shares and 6,074,293 shares issued and outstanding, respectively	6,119	6,074
Additional paid-in capital	8,117,824	7,971,712
Retained earnings	11,569,588	10,989,783
Total stockholders' equity	19,693,531	18,967,569
Total Liabilities and Stockholders' Equity	\$ 25,802,627	\$ 24,951,152

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended May 31,	
	2021	2020
Cash Flows From Operating Activities		
Net income (loss)	\$ 579,805	\$ (3,667,397)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	299,914	343,115
Provision for obsolete inventory	33,285	18,285
Provision for loss on accounts and notes receivable	-	1,468,815
Asset impairment and store closure losses	-	544,060
Loss (gain) on sale or disposal of property and equipment	(164,286)	4,956
Expense recorded for stock compensation	146,157	143,718
Deferred income taxes	23,076	(1,179,329)
Changes in operating assets and liabilities:		
Accounts receivable	(114,876)	476,533
Refundable income taxes	255,974	340
Inventories	(386,868)	(452,217)
Contract Liabilities	(6,213)	(27,515)
Other current assets	(147,911)	12,393
Accounts payable	(123,087)	680,748
Accrued liabilities	(9,159)	35,453
Net cash (used in) provided by operating activities	385,811	(1,598,042)
Cash Flows from Investing Activities		
Proceeds received on notes receivable	21,634	17,825
Purchase of intangible assets	-	(41,464)
Proceeds from insurance recovery	206,336	-
Purchases of property and equipment	(457,435)	(22,488)
Net cash used in investing activities	(229,465)	(46,127)
Cash Flows from Financing Activities		
Proceeds from long-term debt	-	1,537,200
Proceeds from the line of credit	-	3,448,165
Dividends paid	-	(722,344)
Net cash provided by (used in) financing activities	-	4,263,021
Net Increase in Cash and Cash Equivalents	156,346	2,618,852
Cash and Cash Equivalents, Beginning of Period	5,633,279	4,822,071
Cash and Cash Equivalents, End of Period	\$ 5,789,625	\$ 7,440,923

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

	Three Months Ended May 31,	
	2021	2020
Common Stock		
Balance at February 28 or 29:	\$ 6,074	\$ 6,020
Issuance of common stock	7	-
Equity compensation, restricted stock units	38	41
Balance at May 31:	6,119	6,061
Additional Paid-in Capital		
Balance at February 28 or 29:	7,971,712	7,459,931
Issuance of common stock	34,643	-
Equity compensation, restricted stock units	111,469	143,677
Balance at May 31:	8,117,824	7,603,608
Retained Earnings		
Balance at February 28 or 29:	10,989,783	11,889,560
Consolidated net income (loss)	579,805	(3,667,397)
Balance at May 31:	11,569,588	8,222,163
Total Stockholders' Equity	\$ 19,693,531	\$ 15,831,832
Common Shares		
Balance at February 28 or 29:	6,074,293	6,019,532
Issuance of common stock	7,000	-
Equity compensation, restricted stock units	37,702	41,131
Balance at May 31:	6,118,995	6,060,663

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

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
NOTES TO INTERIM (UNAUDITED) CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

The accompanying consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation), Aspen Leaf Yogurt, LLC (“ALY”), and U-Swirl International, Inc. (“U-Swirl”), and its 46%-owned subsidiary, U-Swirl, Inc. (“SWRL”) (collectively, the “Company,” “we,” “us” or “our”).

The Company is an international franchisor, confectionery manufacturer and retail operator. Founded in 1981, the Company is headquartered in Durango, Colorado and manufactures an extensive line of premium chocolate candies and other confectionery products. U-Swirl franchises and operates self-serve frozen yogurt cafés. The Company also sells its candy in selected locations outside of its system of retail stores and licenses the use of its brand with certain consumer products.

U-Swirl operates self-serve frozen yogurt cafés under the names “U-Swirl,” “Yogurtini,” “CherryBerry,” “Yogli Mogli Frozen Yogurt,” “Fuzzy Peach Frozen Yogurt,” “Let’s Yo!” and “Aspen Leaf Yogurt.”

The Company’s revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees’ sales; and sales at Company-owned stores of chocolates, frozen yogurt, and other confectionery products.

In FY 2020 and early FY 2021 we entered into a long-term strategic alliance and ecommerce agreements, respectively, with Edible Arrangements®, LLC and its affiliates (“Edible”), whereby it is intended that we would become the exclusive provider of certain branded chocolate products to Edible, its affiliates and its franchisees. Under the strategic alliance, Rocky Mountain Chocolate Factory branded products are intended to be available for purchase both on Edible’s website as well as through over 1,000 franchised Edible locations nationwide. In addition, due to Edible’s significant e-commerce expertise and scale, we have also executed an ecommerce licensing agreement with Edible, whereby Edible is expected to sell a wide variety of chocolates, candies and other confectionery products produced by the Company or its franchisees through Edible’s websites. There is no assurance that the strategic alliance and ecommerce agreements will be deployed into our operations and to our satisfaction, or that we will achieve the expected full benefits from these agreements. During the three months ended May 31, 2021, certain disagreements arose between RMCF and Edible related to the strategic alliance and ecommerce agreements resulting in continuing discussions, the result of which are not currently determinable. There can be no assurance historical revenue levels will be indicative of future revenues.

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand and frozen yogurt cafés at May 31, 2021:

	Sold, Not Yet		
	Open	Open	Total
Rocky Mountain Chocolate Factory			
Company-owned stores	-	2	2
Franchise stores - Domestic stores and kiosks	4	158	162
International license stores	1	5	6
Cold Stone Creamery - co-branded	5	95	100
U-Swirl (Including all associated brands)			-
Company-owned stores - co-branded	-	3	3
Franchise stores - Domestic stores	-	63	63
Franchise stores - Domestic - co-branded	1	6	7
International license stores	-	1	1
Total	11	333	344

During FY 2021 the Company initiated formal legal proceedings against Immaculate Confections (“IC”), the operator of RMCF locations in Canada. In its complaint, the Company is alleging, among other things, that IC has utilized the Company’s trademarks and other intellectual property without authority to do so and that IC has been unjustly enriched by their use of the Company’s trademarks and intellectual property.

In June 2021 a court order was issued declaring the original 1991 Development Agreement for Canada between RMCF and IC has expired. As a result of this judgement, the Company has removed locations operated by IC from the store information above and contained herein. During the three months ended May 31, 2020 and 2021 the Company did not recognize any revenue from locations operated by IC in Canada. As of February 28, 2021 IC operated 48 locations in Canada. The Company intends to continue to pursue its claims and is expecting to proceed to a trial scheduled for August 2021.

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and Securities and Exchange Commission (the "SEC") regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the consolidated financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the three months ended May 31, 2021 are not necessarily indicative of the results to be expected for the entire fiscal year.

These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2021, as amended by Amendment No. 1 on Form 10-K/A filed on June 28, 2021. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Subsequent Events

Management evaluated all activity of the Company through the issue date of the financial statements and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

COVID-19 Update

As discussed in more detail throughout this Quarterly Report on Form 10-Q for the three months ended May 31, 2021 (this "Quarterly Report"), we have experienced significant business disruptions resulting from efforts to contain the rapid spread of the novel coronavirus ("COVID-19"), including the vast mandated self-quarantines of customers and closures of non-essential business throughout the United States and internationally. During the year ended February 28, 2021 nearly all of the Company-owned and franchise stores were directly and negatively impacted by public health measures taken in response to COVID-19, with nearly all locations experiencing reduced operations as a result of, among other things, modified business hours and store and mall closures. As a result, franchisees and licensees are not ordering products for their stores in line with historical amounts. This trend has negatively impacted, and may continue to negatively impact, among other things, factory sales, retail sales and royalty and marketing fees. Beginning in May 2020, most stores previously closed for much of March 2020 and April 2020 in response to the COVID-19 pandemic, began to re-open. As of February 28, 2021, approximately 53 stores had not re-opened and the future of these locations is uncertain. That is a closure rate significantly higher than historical levels. By May 31, 2021, many stores have met or exceeded pre-COVID-19 sales levels, however, many retail environments have continued to be adversely impacted by changes to consumer behavior as a result of COVID-19. Most stores re-opened subject to various local health restrictions and often with reduced operations. It is unclear when or if store operations will return to pre-COVID-19 levels.

In addition, as previously announced on May 11, 2020, the Board of Directors decided to suspend the Company's first quarter cash dividend payment to preserve cash and provide additional flexibility in the current environment impacted by the COVID-19 pandemic. Furthermore, the Board of Directors has suspended future quarterly dividends until the significant uncertainty of the current public health crisis and economic climate has passed, and the Board of Directors determines that resumption of dividend payments is in the best interest of the Company and our stockholders.

Recent Accounting Pronouncements

Except for the recent accounting pronouncements described below, other recent accounting pronouncements are not expected to have a material impact on our condensed consolidated financial statements.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments. ASU 2016-13 is effective for the Company's fiscal year beginning March 1, 2023 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes. This guidance will be effective for entities for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 on a prospective basis, with early adoption permitted. We adopted this ASU effective March 1, 2021 (the first quarter of our 2022 fiscal year). The adoption of the ASU did not have a material impact on our consolidated financial statements.

NOTE 2 – SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended	
	May 31,	
Cash paid (received) for:	2021	2020
Interest	\$ -	\$ 13,362
Income taxes	(49,952)	(340)
Non-cash Operating Activities		
Accrued Inventory	130,816	158,834

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with its customer in accordance with ASC 606, which 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 new standard does not impact the Company's recognition of revenue from sales of confectionery items to the Company's franchisees and others, or in its Company-owned stores as those sales are recognized at the time of the underlying sale and are presented net of sales taxes and discounts. The standard also does not change the recognition of royalties and marketing fees from franchised or licensed locations, which are based on a percentage of sales and recognized at the time the sales occur. The standard does change the timing in which the Company recognizes initial fees from franchisees and licensees for new franchise locations and renewals that affect the term of the franchise agreement. The Company generally receives a fee associated with the Franchise Agreement or License Agreement (collectively "Customer Contracts") at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract the Company is obligated to many performance obligations that the Company has not determined are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

Initial franchise fees are being recognized as the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10-15 years.

The following table summarizes contract liabilities as of May 31, 2021 and May 31, 2020:

	Three Months Ended	
	May 31:	
	2021	2020
Contract liabilities at the beginning of the year:	\$ 1,119,646	\$ 1,155,809
Revenue recognized	(56,213)	(55,016)
Contract fees received	50,000	27,500
Amortized gain on the financed sale of equipment	(3,133)	(1,043)
Contract liabilities at the end of the period:	\$ 1,110,300	\$ 1,127,250

On May 31, 2021, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following:

FYE 22	\$ 147,079
FYE 23	187,974
FYE 24	155,606
FYE 25	140,530
FYE 26	128,239
Thereafter	350,872
Total	\$ 1,110,300

Gift Cards

The Company's franchisees sell gift cards which do not have either expiration dates, or non-usage fees. The proceeds from the sale of gift

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cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. The Company has historically accumulated gift card liabilities and has not recognized breakage associated with the gift card liability. The adoption of ASC 606 requires the use of the “proportionate” method for recognizing breakage, which the Company has not historically utilized. Upon adoption of ASC 606 the Company began recognizing breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote (“gift card breakage”). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns.

NOTE 4 – DISAGGREGATION OF REVENUE

The following table presents disaggregated revenue by method of recognition and segment:

Three Months Ended May 31, 2021

Revenues recognized over time under ASC 606:						
	Franchising	Manufacturing	Retail	U-Swirl	Total	
Franchise fees	\$ 41,245	\$ -	\$ -	\$ 14,968	\$ 56,213	
Revenues recognized at a point in time:						
	Franchising	Manufacturing	Retail	U-Swirl	Total	
Factory sales	-	5,040,723	-	-	5,040,723	
Retail sales	-	-	282,978	506,497	789,475	
Royalty and marketing fees	1,392,482	-	-	314,818	1,707,300	
Total	\$ 1,433,727	\$ 5,040,723	\$ 282,978	\$ 836,283	\$ 7,593,711	

Three Months Ended May 31, 2020

Revenues recognized over time under ASC 606:						
	Franchising	Manufacturing	Retail	U-Swirl	Total	
Franchise fees	\$ 41,702	\$ -	\$ -	\$ 13,314	\$ 55,016	
Revenues recognized at a point in time:						
	Franchising	Manufacturing	Retail	U-Swirl	Total	
Factory sales	-	2,134,615	-	-	2,134,615	
Retail sales	-	-	59,981	127,615	187,596	
Royalty and marketing fees	212,092	-	-	113,118	325,210	
Total	\$ 253,794	\$ 2,134,615	\$ 59,981	\$ 254,047	\$ 2,702,437	

NOTE 5 – INVENTORIES

Inventories consist of the following inventory at May 31, 2021 and February 28, 2021:

	May 31, 2021	February 28, 2021
Ingredients and supplies	\$ 2,541,283	\$ 2,464,123
Finished candy	2,168,502	1,888,818
U-Swirl food and packaging	47,129	39,518
Reserve for slow moving inventory	(357,884)	(329,574)
Total inventories	\$ 4,399,030	\$ 4,062,885

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment at May 31, 2021 and February 28, 2021 consisted of the following:

	May 31, 2021	February 28, 2021
Land	\$ 513,618	\$ 513,618
Building	5,167,023	4,827,807
Machinery and equipment	10,241,098	10,129,508
Furniture and fixtures	797,698	797,303
Leasehold improvements	985,407	985,407
Transportation equipment	516,278	429,789
	18,221,122	17,683,432
Less accumulated depreciation	(12,627,669)	(12,531,417)
Property and equipment, net	\$ 5,593,453	\$ 5,152,015

Depreciation expense related to property and equipment totaled \$178,575 and \$194,557 during the three months ended May 31, 2021 and 2020, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Intangible assets at May 31, 2021 and February 28, 2021 consist of the following:

	Amortization Period	May 31, 2021		February 28, 2021	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10 Years	\$ 394,826	\$ 226,230	\$ 394,826	\$ 221,504
Packaging licenses	3-5 Years	120,830	120,830	120,830	120,830
Packaging design	10 Years	430,973	430,973	430,973	430,973
Trademark/Non-competition agreements	5-20 Years	556,339	339,905	556,339	333,715
Franchise rights	20 Years	5,979,637	3,570,296	5,979,637	3,459,873
Total		7,482,605	4,688,234	7,482,605	4,566,895
Intangible assets not subject to amortization					
Franchising segment-					
Company stores goodwill		\$ 515,065		\$ 515,065	
Franchising goodwill		97,318		97,318	
Manufacturing segment-goodwill		97,318		97,318	
Trademark		20,000		20,000	
Total goodwill		729,701		729,701	
Total Intangible Assets		\$ 8,212,306	\$ 4,688,234	\$ 8,212,306	\$ 4,566,895

Amortization expense related to intangible assets totaled \$121,339 and \$148,557 during the three months ended May 31, 2021 and 2020, respectively.

At May 31, 2021, annual amortization of placed in service intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following:

FYE 22	\$ 362,619
FYE 23	409,393
FYE 24	346,672
FYE 25	294,427
FYE 26	251,342
Thereafter	1,129,918
Total	\$ 2,794,371

NOTE 8 – IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS

We assess the potential impairment of our long-lived assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of the assets or asset group may not be recoverable. Due to the significant impact of the COVID-19 pandemic on our operations, we determined it was necessary to perform an interim test of our long-lived assets during the three months ended May 31, 2020. Based on the results of these assessments, we recorded \$545,000 of expense. This expense is presented within general and administrative expense on the Consolidated Statements of Operations.

The assessment of our goodwill, trademark and long lived asset fair values includes many assumptions that are subject to risk and uncertainties. The primary assumptions, which are all Level 3 inputs of the fair value hierarchy (inputs to the valuation methodology that are unobservable and significant to the fair value measurement), used in our impairment testing consist of:

- Expected future cash flows from operation of our Company-owned units.
- Forecasted future royalty revenue, marketing revenue and associated expenses.
- Projected rate of royalty savings on trademarks.
- Our cost of capital.

At May 31, 2020 costs associated with the impairment of long-lived and intangible assets consisted of the following:

Company store goodwill impairment	\$317,243
Trademark intangible asset impairment	159,000
Company-owned store impairment of long-lived assets and inventory	68,558
Total	\$544,801

Certain interim tests did not indicate a need for impairment during the three months ended May 31, 2020. Franchise rights, store design, manufacturing segment goodwill and franchising goodwill tests succeeded during the interim period. We believe we have made reasonable estimates and judgements, however, further COVID-19 related impacts could cause interim testing to be performed in future periods and further impairments recorded if testing of impairment is not successful in future periods.

During the three months ended May 31, 2021 the Company did not identify any triggering events and there were no costs associated with the impairment of long-lived assets during the three months ended May 31, 2021.

NOTE 9 – NOTES PAYABLE

Paycheck Protection Program

During the year ended February 28, 2021 the Company received promissory notes pursuant to the Paycheck Protection Program (“PPP”), under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration (the “SBA Loans”). The Company received total proceeds of \$1.5 million from SBA Loans. During the three months ended November 30, 2020, approximately \$108,000 of the original loan proceeds was forgiven by the SBA and during the three months ended February 28, 2021 the remaining approximately \$1.4 million of the original loan proceeds was forgiven.

Revolving Credit Line

The Company has a \$5.0 million credit line for general corporate and working capital purposes, of which \$5.0 million was available for borrowing (subject to certain borrowing base limitations) as of May 31, 2021. The credit line is secured by substantially all of the Company’s assets, except retail store assets. Interest on borrowings is at LIBOR plus 2.25% (2.4% at May 31, 2021). Additionally, the line of credit is subject to various financial ratio and leverage covenants. At May 31, 2021, the Company was in compliance with all such covenants. The credit line is subject to renewal in September 2021.

NOTE 10 - STOCKHOLDERS’ EQUITY

Cash Dividend

The Company paid a quarterly cash dividend of \$0.12 per share of common stock on March 13, 2020 to stockholders of record on February 28, 2020.

As previously announced on May 11, 2020, the Board of Directors suspended the Company’s fiscal year 21 first quarter cash dividend payment to preserve cash and provide additional flexibility in the current environment as a result of the economic impact of COVID-19. Furthermore, the Board of Directors has suspended future quarterly dividends until the significant uncertainty of the current public health crisis and global

economic climate has passed, and the Board of Directors determines that resumption of dividend payments is in the best interest of the Company and its stockholders.

Future declarations of dividends will depend on, among other things, the Company's results of operations, financial condition, capital requirements, and on such other factors as the Company's Board of Directors may in its discretion consider relevant and in the best long-term interest of the Company's stockholders.

Stock Repurchases

On July 15, 2014, the Company publicly announced a plan to repurchase up to \$3.0 million of its common stock in the open market or in private transactions, whenever deemed appropriate by management. As of May 31, 2021, approximately \$638,000 remains available under the repurchase plan for further stock repurchases.

Warrants

In consideration of Edible entering into the exclusive supplier agreement and the performance of its obligations therein, on December 20, 2019, the Company issued Edible a warrant (the "Warrant") to purchase up to 960,677 shares of the Company's common stock (the "Warrant Shares") at an exercise price of \$8.76 per share. The Warrant Shares vest in annual tranches in varying amounts following each contract year under the exclusive supplier agreement, subject to, and only upon, Edible's achievement of certain revenue thresholds on an annual or cumulative five-year basis in connection with its performance under the exclusive supplier agreement. The Warrant expires six months after the final and conclusive determination of revenue thresholds for the fifth contract year and the cumulative revenue determination in accordance with the terms of the Warrant.

The Company determined that the grant date fair value of the warrants was de minimis and did not record any amount in consideration of the warrants. The Company utilized a Monte Carlo model for purposes of determining the grant date fair value.

Stock-Based Compensation

Under the Company's 2007 Equity Incentive Plan (as amended and restated) (the "2007 Plan"), the Company may authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units.

The Company recognized \$146,157 of stock-based compensation expense during the three months ended May 31, 2021 compared with \$143,718 during the three months ended May 31, 2020. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards.

The following table summarizes non-vested restricted stock unit transactions for common stock during the three months ended May 31, 2021 and 2020:

	Three Months Ended May 31,	
	2021	2020
Outstanding non-vested restricted stock units as of February 28 or 29:	209,450	265,555
Granted	-	-
Vested	(37,702)	(41,131)
Cancelled/forfeited	(900)	-
Outstanding non-vested restricted stock units as of May 31:	170,848	224,424
Weighted average grant date fair value	\$ 9.40	\$ 9.39
Weighted average remaining vesting period (in years)	3.41	4.33

The Company issued 7,000 unrestricted shares of stock to non-employee directors during the three months ended May 31, 2021 compared to no shares issued during the three months ended May 31, 2020. In connection with these non-employee director stock issuances, the Company recognized \$34,650 and \$0 of stock-based compensation expense during the three months ended May 31, 2021 and 2020, respectively.

During the three months ended May 31, 2021, the Company recognized \$111,507 of stock-based compensation expense related to non-vested, non-forfeited restricted stock unit grants compared to \$143,718 during the three months ended May 31, 2020. The restricted stock units generally vest in equal annual installments over a period of five to six years. Total unrecognized stock-based compensation expense of non-vested, non-forfeited restricted stock units, as of May 31, 2021, was \$1,494,326, which is expected to be recognized over the weighted

average period of 3.41 years.

The Company has no outstanding stock options as of May 31, 2021.

NOTE 11 - EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted-average number of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through the settlement of restricted stock units. Restricted stock units become dilutive within the period granted and remain dilutive until the units vest and are issued as common stock.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the three months ended May 31, 2021, 960,677 shares of common stock warrants and no shares of issuable common stock were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the three months ended May 31, 2020, 960,677 shares of common stock warrants and 209,960 shares of issuable common stock were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

NOTE 12 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee of some franchised store premises, which the Company then subleases to franchisees, but the majority of existing locations are leased by the franchisee directly. Currently, there are not indications that the Company will be required to make any payments on behalf of franchisees.

In some instances, the Company has leased space for its Company-owned locations that are now occupied by franchisees. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

The Company also leases trucking equipment and warehouse space in support of its manufacturing operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

ASU 2016-02 allows, as a practical expedient, the retention of the classification of existing leases as operating or financing. All of the Company's leases are classified as operating leases and that classification has been retained upon adoption. The Company does not believe the utilization of this practical expedient has a material impact on lease classifications.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. As of May 31, 2021 and 2020, lease expense recognized in the Consolidated Statements of Income was \$209,025 and \$212,063, respectively.

The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the Right of Use Asset and Lease Liability include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the Asset and Liability except in instances where such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the Asset and Liability, the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 3.2% as of May 31, 2021. The total estimated future minimum lease payments is \$2.5 million.

As of May 31, 2021, maturities of lease liabilities for our operating leases were as follows:

FYE 22	\$	551,974
FYE 23		536,712
FYE 24		417,930
FYE 25		268,966
FYE 26		171,324
Thereafter		521,138
Total	\$	2,468,044
Less: imputed interest		(217,306)
Present value of lease liabilities:	\$	2,250,738

Weighted average lease term 6.6

During the three months ended May 31, 2021 the Company entered into lease amendments to extend the terms of leases for certain Company-owned locations. These lease amendments resulted in the Company recognizing a present value of future lease liability of \$475,908 based upon a total lease liability of \$504,946.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between six to eighteen months for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract. As of May 31, 2021, the Company was contracted for approximately \$234,000 of raw materials under such agreements. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

NOTE 14 - OPERATING SEGMENTS

The Company classifies its business interests into five reportable segments: Franchising, Manufacturing, Retail Stores, U-Swirl and Other. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended February 28, 2021, as amended by Amendment No. 1 on Form 10-K/A filed on June 28, 2021. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the differences in products and services:

Three Months Ended

May 31, 2021	Franchising	Manufacturing	Retail	U-Swirl	Other	Total
Total revenues	\$ 1,435,366	\$ 5,285,106	\$ 282,978	\$ 836,283	\$ -	\$ 7,839,733
Intersegment revenues	(1,639)	(244,383)	-	-	-	(246,022)
Revenue from external customers	1,433,727	5,040,723	282,978	836,283	-	7,593,711
Segment profit (loss)	644,866	668,024	18,265	145,542	(659,099)	817,598
Total assets	1,430,823	10,075,833	638,670	5,379,850	8,277,451	25,802,627
Capital expenditures	1,182	432,411	1,068	1,399	21,375	457,435
Total depreciation & amortization	\$ 9,498	\$ 153,620	\$ 1,401	\$ 116,730	\$ 18,665	\$ 299,914

Three Months Ended May 31, 2020	Franchising	Manufacturing	Retail	U-Swirl	Other	Total
Total revenues	\$ 254,477	\$ 2,293,093	\$ 59,981	\$ 254,047	\$ -	\$ 2,861,598
Intersegment revenues	(683)	(158,478)	-	-	-	(159,161)
Revenue from external customers	253,794	2,134,615	59,981	254,047	-	2,702,437
Segment profit (loss)	(451,319)	(783,469)	(477,825)	(457,718)	(2,676,394)	(4,846,725)
Total assets	1,090,475	10,430,680	604,386	5,565,436	11,417,149	29,108,126
Capital expenditures	-	13,854	-	1,712	6,922	22,488
Total depreciation & amortization	\$ 10,138	\$ 161,830	\$ 3,403	\$ 146,949	\$ 20,795	\$ 343,115

**EXHIBIT D
(TO DISCLOSURE DOCUMENT)**

**U-SWIRL INTERNATIONAL, INC.
OPERATIONS MANUAL
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USI
Operations Manual
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2021

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EXHIBIT E
(TO DISCLOSURE DOCUMENT)

U-SWIRL INTERNATIONAL, INC.
NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (this “**Agreement**”) is made and entered into effective the ____ day of _____, 20____ by and between U-SWIRL INTERNATIONAL, INC., a Nevada corporation, located at 265 Turner Drive, Durango, Colorado 81301 (“**USI**”); and the undersigned associate of a USI franchisee (“**Associate**”).

RECITALS

A. USI is engaged in a business of franchising to others businesses (“**USI Stores**”) that offer self-service frozen yogurt and other products under various marks, including “U-SWIRL FROZEN YOGURT,” “CHERRYBERRY SELF-SERVE YOGURT BAR,” “YOGURTINI,” and related service marks, trademarks, and trade names (the “**Marks**”).

B. USI has created for use in the operation of USI Stores a distinctive interior design, trade dress, décor, and color scheme; uniform methods of operation and equipment specifications; procedures for quality control; training and ongoing assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by USI from time to time (collectively, the “**System**”). USI has established substantial goodwill and an excellent reputation with respect to the quality of the products and service available at USI Stores, which goodwill and reputation have been and will continue to be of major benefit to USI.

C. Associate is or will become involved with a USI franchisee (the “**Franchisee**”) in the capacity of an officer, director, partner, manager, agent, employee and/or independent contractor (those capacities are collectively referred to below as an “**Affiliation**”); or Associate is related to a person who has an Affiliation with the Franchisee. Associate will by attending USI’s initial training program or another training program of USI (each referred to below as the “**Training Program**”), or by performing his or her duties for the Franchisee, receive certain trade secrets and other confidential information related to USI and the System.

D. Associate recognizes the necessity of protecting the reputation, goodwill, trade secrets, and other confidential information of USI. If Associate reveals these trade secrets or other confidential information to any unauthorized entities or persons, USI will incur irreparable damage and harm.

AGREEMENT

1. If Associate will be attending the Training Program, Associate understands and agrees that Associate will not be compensated by USI for any time spent attending the Training Program. Except as may otherwise be stated in a USI Franchise Agreement entered into by USI and the Franchisee, USI will not pay, or reimburse Associate for, Associate’s expenses incurred in attending the Training Program.

2. Associate acknowledges that much of the information and written materials provided by USI to Associate during the Training Program (if applicable), and otherwise directly or indirectly provided by USI to Associate, is confidential information, constitutes trade secrets of USI, and remains the sole and exclusive property of USI (the “**Confidential Information**”). Confidential Information includes: (1) methods of operation of USI Stores; (2) information about products, services, or procedures before they become public knowledge; and (3) other information disclosed to Associate through

confidential notifications and the USI Operations Manual. Information generally known to the public is not confidential, but if such knowledge is the result of disclosure by Associate, Associate will be liable for breach of this Agreement. Associate specifically acknowledges that the Confidential Information is valuable, unique, and comprises a substantial portion of the assets of USI. Associate must not at any time reveal to any person or entity (except those persons employed by USI or the Franchisee, and authorized to receive such information), any Confidential Information regarding USI. Associate may disclose the Confidential Information to other employees, agents, or representatives of USI or the Franchisee authorized to receive the information only to the extent necessary for those employees, agents, or representatives to carry out their intended function. Associate agrees that he or she will not utilize all or any portion of the Confidential Information for Associate's personal benefit during the term of Associate's Affiliation with the Franchisee, nor in any manner use the Confidential Information subsequent to the termination of Associate's Affiliation with the Franchisee. Associate shall not copy, publish, or otherwise duplicate the Confidential Information or permit others to do so, and Associate shall return all Confidential Information in his or her possession or control to the Franchisee or USI upon termination of Associate's Affiliation with the Franchisee.

3. Associate shall not directly or indirectly own, manage, be employed by, or in any manner participate in any business similar to USI's or its franchisees' business during Associate's Affiliation with the Franchisee, and for a period of two years after the end of Associate's Affiliation with the Franchisee within a three mile radius from the location of any USI Store. Notwithstanding the foregoing, Associate will not be prohibited from owning securities in a similar business if the securities are listed on a stock exchange or publicly traded on the over-the-counter market and represent 2% or less of the securities of that entity issued and outstanding.

4. During Associate's Affiliation with the Franchisee, and for a period of two years after the end of Associate's Affiliation with the Franchisee, Associate will not divert or attempt to divert any customer of USI or any USI franchisee to a competitor.

5. If USI has reasonable cause to believe that Associate may breach the provisions of this Agreement, USI may apply for and obtain injunctive relief, in connection with which USI has the right to obtain a preliminary or temporary injunction.

6. If USI discovers that Associate has breached this Agreement, then in addition to the remedy above, USI will be entitled to recover from Associate liquidated damages in the amount of \$10,000 for each breach prior to the entry of injunctive relief.

7. In addition to the remedies set forth above, USI will have any other remedy available to it at law or in equity to enforce the provisions of this Agreement.

8. The provisions in this Agreement are acknowledged by Associate as being necessary and reasonable in view of USI's need to protect its reputation, goodwill, and trade secrets, which have been and will be developed as a result of the efforts and substantial investment of USI. If, however, any court of competent jurisdiction or governmental agency determines any of the provisions in this Agreement are excessive, the applicable provision(s) will be reduced to the maximum restriction on Associate's activities as permitted by law. If any provision is deemed by any court of competent jurisdiction or governmental agency to be invalid or unenforceable, and it cannot be modified as specified in this Section, it will be deemed not a part of this Agreement, and the remainder of the Agreement will remain in full force and effect.

9. USI may assign all or part of this Agreement, and the rights that inure to it under this Agreement, without the consent of Associate. This Agreement is not assignable by Associate.

10. This Agreement will be binding upon and inure to the benefit of USI and Associate, and their respective heirs, executors, representatives, successors, and assigns.

11. No waiver by USI of any of the provisions of this Agreement constitutes a waiver or estoppel of the right of USI to subsequently enforce any of the provisions in this Agreement.

12. The laws of the State of Colorado govern all rights and obligations of the parties under this Agreement. In the event of a breach or threatened breach of this Agreement, the parties agree that any legal proceedings will be brought only in the appropriate state or federal courts in Colorado. USI and Associate consent to the exercise of jurisdiction by those courts.

13. If any suit or action is instituted for any purpose under or in connection with this Agreement, the prevailing party will be entitled to recover from the other party its reasonable attorneys' fees, experts' fees, and costs incurred in the trial court and appellate court proceeding, if any.

14. This Agreement contains all of the terms and representations made by the parties relating to this Agreement. Any change to this Agreement must be set forth in writing and signed by USI and Associate.

U-SWIRL INTERNATIONAL, INC.

ASSOCIATE:

By: _____

Print Name: _____

Print Name: _____

Title: _____

Home Address _____

Home Telephone
Number: _____

Name of Franchisee with whom Associate is
associated

**EXHIBIT F
(TO DISCLOSURE DOCUMENT)**

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is made effective as of the ___ day of _____ 20__ by _____, individually and _____, a _____ [corporation/limited liability company] (collectively, “**Franchisee**”) in favor of U-Swirl International, Inc., a Nevada corporation (“**Franchisor**”) (collectively referred to as “**Parties**”), who, on the basis of the following agreements, agree as follows:

A. The Parties have entered into that certain Franchise Agreement dated _____, 20__ (“**Franchise Agreement**”), which governs the development and operation of a self-serve frozen yogurt Store operating under the mark set forth in the Franchise Agreement (“**Store**”) (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the Store or some or all of the assets of the Store;

OR

B. The Franchisee desires to enter into a successor to the Franchise Agreement;

C. The Franchisor desires to consent to the Franchisee’s request subject to the Franchisee’s compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

1. Release. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“**Franchisee Affiliates**”), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “**Franchisor Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“**Released Claims**”), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee’s and the Franchisee Affiliates’ intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates

(or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1.(b) of this Release.

2. General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof: and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegates, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

Date: _____ By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE:

Date: _____
Individually

Date: _____
Individually

AND:
(if a corporation, limited liability company or partnership)

Company

Date: _____ By: _____
Title: _____

**EXHIBIT G
(TO FRANCHISE DISCLOSURE DOCUMENT)**

U-SWIRL INTERNATIONAL, INC.

**LIST OF FRANCHISEES
As of February 28, 2021**

NAME	ADDRESS	CONTACT INFO
ARIZONA		
Yobliss, Inc. Tim O'Brien	5870 W. Thunderbird Rd., STE A3 Glendale, AZ 85306	Timothyobrien1@cox.net
Sky Frozen Treats LLC Dale & Angela Hudnall	14175 W. Indian School Rd. #A-5 Goodyear, AZ 85338	ahudnall@monumentpower.com
RM Chocolate AZ I LLC Ron Rosser	660 Elm Street Page, AZ 86040	435-690-0130
MCM Sweet Investments LLC Michael Mackey	475 E. Bell Road Phoenix, AZ 85085	623-202-6936
Frozen Geckos, Inc. Mike Hockett	2510 West Happy Valley Road #1251 Phoenix, AZ 85058	602-942-6266
Om Sri, LLC Somdata Nath & Shradhanand Devuramaswamy	13610 N. Scottsdale Road Scottsdale, AZ 85254	480-244-6452
MCM Surprise Investments LLC Michael Mackey	15601 W. Bell Road, STE 208 Surprize, AZ 85374	623-202-6936
ARKANSAS		
Traci & Travis Yates	3865 Phoenix Avenue Ft. Smith, AR 72903	479-222-6188
CALIFORNIA		
RM Chocolate –Lake Elsinore, LLC Roberty & Danielle Schimming	101 W. Avenida Vista Hermosa, STE 612 San Clemente, CA 92672	816-752-6542
COLORADO		
Christina Ludwick	9996 Commons Street Lonetree, CO 80124	720-285-5946
GEORGIA		
Gab & Nuella, Inc. Veronica Folorunso	6595 Roswell Road, STE F Atlanta, GA 30328	404-797-4548
CDJ Ventures, LLC Derrick Crump	3000 Chapel Hill Road Douglasville, GA 30135	404-775-1871
Oakdale Complex LLC Veronica Folorunso	2090 Dunwoody Club Drive, STE 123 Dunwoody, GA 30350	404-797-4548
Softbrain, Inc. Habip Alpaslan	5157 Jimmy Lee Smith Parkway, STE 109 Hiram, GA 30141	212-945-4781
ARU LLC Amit Patel	4926 Bill Gardner Parkway Locust Grove, GA 30248	Amitpatel1221@gmail.com
Softbrain, Inc. Habip Alpaslan	3600 Dallas Highway #290 Marietta, GA 30064	212-945-4781
Kory Rykman	3605 Sandy Plains Road, STE 150 Marietta, GA 30066	(678) 758-5984
Kory Rykman	1255 Johnson Ferry Road, STE 35 Marietta, GA 30068	(678) 758-5984

Om Soham, Inc. Girish Patel	320 Town Center Avenue, STE 6 Suwanee, GA 30024	701-861-8028
ILLINOIS		
Pamela & Hugh Hadfield	6100 North Illinois Street Fairview Heights, IL 62208	Hprj4@aol.com
ANAS1, Inc. Hussein Abdallah	8200 W. Oakton Street Niles, IL 60714	847-800-8204
IOWA		
CHAS LLC Jim Karbush & Safwan Ibrik	125 S. Dubuque Street Iowa City, IA 52240	319-530-6528
Gem Partners, Inc. Austin Sissell	2800 Hamilton Road Sioux City, IA 51104	712-898-3683
KANSAS		
Parra Froyo, LLC Kathleene Parra & Geovanny Parra-Lugo	1843 Village West Parkway Kansas City, KS 66111	816-752-6304
Yogurtini Overland Park LLC Isaac Collins	8941 W 135th Street Overland Park, KS 66221	(816) 261-8744
MINNESOTA		
Holland Investment Group LLC Chris Holland	15091 Edgewood Drive, STE 110 Baxter, MN 56401	chrish@hollandent.com
Wesley & Tessa Hegna	2512 Hannah Avenue NW Bemidji, MN 56601	218-766-5787
Holland Investment Group LLC Chris Holland	1540 109 th Avenue NE Blaine, MN 55434	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	145 Veteran's Memorial Pkwy, STE 145 Detroit Lakes, MN 56501	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	1298 Promenade Place East Eagan, MN 55121	chrish@hollandent.com
Yogurt & Things, Inc. Kory Knoff	1010 Central Avenue NE East Grand Forks, MN 56721	kknoff@hotmail.com
Holland Investment Group LLC Chris Holland	18157 Carson Court, STE B Elk River, MN 55330	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	17671 Glasgow Avenue Lakeville, MN 55044	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	4931 County Road 101 Minnetonka, MN 55345	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	3500 Vicksburg Lane North Plymouth, MN 55447	chrish@hollandent.com
RSM LLC Mark Riggs	123 16 Avenue SW #100 Rochester, MN 55902	cherryberryfargo@gmail.com
Holland Investment Group LLC Chris Holland	8084 Old Carriage Court North Shakopee, MN 55379	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	3701 Division Street, STE 110B St. Cloud, MN	chrish@hollandent.com
Uribe Enterprises LLC	925 East County Road E.E. Suite 105 Vadnais Heights, MN 55127	651-308-7588
MISSISSIPPI		
Hot Chocolate, Inc. Mike & Emilie Odom	200 Bass Pro Drive #420 Pearl, MS 39208	601-707-5139

MISSOURI		
K & Penny LLC Penny Orr	1122 NE Coronado Drive Blue Springs, MO 64014	yogurtinibluesprings@yahoo.com
Isaac Collins	4853 Main Street Kansas City, MO 64112	icollins2411@gmail.com
Yogurtini Shoal Creek LLC Isaac Collins	8375 N. Booth Kansas City, MO 64157	icollins2411@gmail.com
SAMD Yogurt LLC Andrew Gladstein	1520 S. Fifth Street, STE 105 St. Charles, MO 63303	314-616-5228
RMCF St. Joe LLC James Burris	3715 Frederick Avenue, Unit C St. Joseph, MO 64506	Burrisesjames12@gmail.com
MONTANA		
AJ Frozen Treats, Inc. Kenneth Allen	110 N. 19 th STE B Bozeman, MT 59715	406-239-6906
NEBRASKA		
KDBR, Inc. Roger Clark	233 N. 48 th Street, STE J Lincoln, NE 68504	303-619-0852
KDBR, Inc. Roger Clark	3900 Old Cheney Road Lincoln, NE 68504	303-619-0852
NEVADA		
Pipe Dream LLC Sarah Flummerfelt & Cynthia Wilmot	Cheyenne Corporate Center 7660 W. Cheyenne Avenue Las Vegas, NV 89129	702-434-2962
NEW JERSEY		
Mark Axe Yogurt LLC Mark Axelrad	450 Union Hill Marlboro, NJ 07751	Markaxe10@aol.com
Armo Superfood, Inc. Rajiv Gupta	31 Valley Road Montclair, JN 07042	917-254-9043
NEW MEXICO		
Fro Yo Buffalo LLC Shay and Alli Davis	5150 E. Main Street, Space 105 Farmington, NM 87402	Allibird07@gmail.com
Ryan Ganaway & Brooke Jeter	2827 N. Dal Paso Hobbs, NM 88240	575-318-6036
NEW YORK		
MEBTY, Inc. Michael Bedziner & Tod Yeager	44 East Main Street Smithtown, NY 11787	Michael_4410@yahoo.com
NORTH CAROLINA		
Robert & Victoria Zangwill	317 W.B. McLean Drive Cape Carteret, NC 28584	570-393-3000
Robert & Victoria Zangwill	4157 Western Blvd. Jacksonville, NC 28546	570-393-3000
Samantha & Matthew Werner	1109 New Pointe Blvd., STE 4 Leland, NC 28451	910-322-8052
Ronnie Hufstedler	5617 Carolina Beach Rd., STE 100 Wilmington, NC 28412	fuzzypeachmj@gmail.com
NORTH DAKOTA		
Waletzko Correa LLC Karem Correa	1423 Mapleton Avenue Bismarck, ND 5803	701-390-2217
Holland Investment Group LLC Chris Holland	1100 19 th Avenue North Fargo, ND 58102	chrish@hollandent.com
Holland Investment Group LLC Chris Holland	4265 45 th Street South Fargo, ND 58104	chrish@hollandent.com

Holland Investment Group LLC Chris Holland	3321 32 nd Avenue South, STE 800 Grand Forks, ND 58201	chrish@hollandent.com
OKLAHOMA		
Royal Enterprise LLC Martin Lira	4605 W. Kenosha Broken Arrow, OK 74012	david@hutchinsonoil.com 208-695-3177
SOUTH DAKOTA		
Goossen Investments LLC Trent Goossen	1013 S. Highline Place Sioux Falls, SD 57108	918-704-6999
Goossen Investments LLC Trent Goossen	5107 S. Louise Avenue Sioux Falls, SD 57108	918-704-6999
TEXAS		
TX CherryBerry LLC Rene Chavarria	25621 Nelson Way, #130 Katy, TX 75964	936-554-5519
UTeam LLC Victor & Heather Uteshev	1411 Keller Parkway, STE 300 Keller, TX 76248	940-765-5955
TX CherryBerry LLC Rene Chavarria	201 Highway 332 West, STE 600 Lake Jackson, TX 77566	936-554-5519
TX CherryBerry LLC Rene Chavarria	7905 N. Navarro Victoria, TX 77904	936-554-5519
Waco Swirl LLC Jim & Stacey Scarborough	100 N. New Road Waco, TX 76710	254-722-8943
UTAH		
Resler, LLC Carson Allen	241 East 12300 South Draper, UT	432-599-0652

**EXHIBIT H
(TO DISCLOSURE DOCUMENT)**

**U-SWIRL INTERNATIONAL, INC.
FRANCHISED STORES THAT HAVE CLOSED, TRANSFERRED, BEEN TERMINATED
OR OTHERWISE LEFT THE SYSTEM DURING FISCAL YEAR 2020**

From March 1, 2020 to February 28, 2021

NAME	ADDRESS	CONTACT INFO
CALIFORNIA		
HH Shenouda, Inc. Peter Yanny & Tharwat Yanny	812 Birchcrest Road Downey, CA 90240	562-858-8074
GEORGIA		
Frozen Sweets Management LLC ⁽²⁾ Irene Sun Soong	7645 Stratton Pointe Suwanee, GA 30024	678-525-6703
IDAHO		
CCRP Solutions LLC Reed Peterman Cody Crail	1142 N. Sevenoaks Pl., Eagle, ID 83616 24492 Chrisanta Drive, Mission Viejo, CA 92691	reedpeterman@gmail.com cody@csquaredsocial.com
ILLINOIS		
Jeff & April Cash	unknown	918-808-7917
MINNESOTA		
Check Rays Investments LLC ⁽²⁾ Derek Johnson	3655 Harrison Street Fargo, ND 58104	701-552-1977
Holland Investment Group LLC ⁽¹⁾ Chris Holland	500 Carl Olsen Street Mapleton, ND 58059	chrish@hollandent.com
Kellan Jordan ⁽¹⁾	1146 Woodland Avenue Fruita, CO 81521	Kellan.jordan@hotmail.com
MISSOURI		
Majestic Services #1 LLC Jane Adams	12021 W. 91 st Street South Sapulpa, OK 74066	918-402-2112
McClain Restaurant Group, Inc. Kenneth McClain	221 W. Lexington, STE 400 Independence, MO 64051	816-461-0037
MONTANA		
Kenneth Allen ⁽¹⁾	P.O. Box 819 Missoula, MT 59806	406-239-6906
NEVADA		
U-Create Enterprises Dylan Heroy	75 Dovetail Circle Henderson, NV 89014	702-638-9100
NEW JERSEY		
MCM of Montclair LLC ⁽²⁾ Marc & Christine Mirskey	72 Clarcken Drive West Orange, JN 07042	973-202-3160
Brain Freeze Corporation Diane Kuczer	1481 Route 23 South Wayne, NJ 07470	201-489-1360
NORTH CAROLINA		
Knights Baseball LLC Dan Rajkowski	324 S. Mint Street Charlotte, NC 28202	danr@charlotteknights.com

NORTH DAKOTA		
CSRK, LLC ⁽²⁾ Charles Jordon	1317 9 th St., Langdon, ND 58249	chjordan@utma.com
Steve Jordon	1315 Stoney Ln., Bismarck, ND 58501	
Randy Jordon	5535 Oakgreen Pl. N., Stillwater, MN 55082	Kellan.jordan@hotmail.com
Kellan Jordon ⁽¹⁾	1146 Woodland Ave., Fruita, CO 81521	
OKLAHOMA		
Hutchison Oil Co. David Hutchinson	P.O. Box 767 Elk City, OK 73648	david@hutchinsonoil.com
CherryBerry Lawton LLC Ross Taylor (<i>deceased</i>)		
UTAH		
Chudder Inc. ⁽²⁾ Patricia Patterson	4 Bay Lawn Avenue Warwick, RI 02888	Pmp151@aol.com
Sarasaroan LLC Nan Stratton	2322 W. Monarch Way Farmington, UT 84025	801-699-9856
WISCONSIN		
Magliwa LLC Timothy and Kathleen Toczek	3041 Hidden Meadow Court Eau Claire, WI 54701	715-828-0146

⁽¹⁾ Denotes they currently own one or more additional stores.

⁽²⁾ Denotes a transfer of store ownership.

**EXHIBIT I
(TO DISCLOSURE DOCUMENT)**

**STATE ADDENDA AND RIDERS TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND OTHER AGREEMENTS**

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE (www.u-swirl.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

1. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

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

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

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

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and

Innovation before we ask you to consider a material modification of your Franchise Agreement.

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

The Franchise Agreement requires arbitration. The arbitration will occur in Denver, Colorado with the costs being borne equally by both parties.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF CALIFORNIA**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. Dispute Resolution. Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

NOTICE AND DISPUTE RESOLUTION

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-

binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. Governing Law/Consent to Venue and Jurisdiction.

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “FAA”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Section D. Injunctive Relief.

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

[SIGNATURE PAGE TO FOLLOW]

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OR A FINDING BY THE COMMISSIONER OF SECURITIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The Franchisor's registered agent in the state authorized to receive service of process is:

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

1. The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

A. This proposed registration is effective in the following states: California, Illinois, Indiana, Maryland, Michigan, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

B. This proposed registration is or will shortly be on file in the following states: Hawaii and Minnesota.

C. States which have refused, by order or otherwise, to register these franchises are: None.

D. States which have revoked or suspended the right to offer the franchises are: None.

E. States in which the proposed registration of these franchises has been withdrawn are: None.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF IDAHO**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. **Dispute Resolution.** Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

**NOTICE AND DISPUTE RESOLUTION
NON-BINDING ARBITRATION/LITIGATION**

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding

the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. **Governing Law/Consent to Venue and Jurisdiction.**

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Section D. **Injunctive Relief.**

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

[SIGNATURE PAGE TO FOLLOW]

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20_____.

1. Section 6.15A-F is deleted in its entirety and the following is substituted in its place:

6.15 Acknowledgement; Representations. BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.

2. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF ILLINOIS**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. Dispute Resolution. Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

NOTICE AND DISPUTE RESOLUTION

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-

binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. Governing Law/Consent to Venue and Jurisdiction.

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, all matters regarding this Agreement shall be governed by Illinois law.

Section D. Injunctive Relief.

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

U-SWIRL INTERNATIONAL, INC.
CLOSING ACKNOWLEDGEMENT
FOR THE STATE OF ILLINOIS

In order to ensure that your decision to purchase a U-Swirl International, Inc. (“**USI**”) franchise is based upon your own independent investigation and judgment, please complete and sign this Acknowledgement. All terms not defined herein shall have their respective meanings as set forth in the Franchise Agreement dated of even date herewith between the undersigned Franchisee and USI.

1. I have made my own independent determination that I have adequate working capital to develop, open and operate my Store.

2. I acknowledge that USI will provide guidelines for a suitable site for my Store, but I understand that I am responsible for the final decision regarding the selection of a suitable site.

3. I am not relying on any promises of USI which are not contained in the Franchise Agreement.

4. I acknowledge that the terms of the Franchise Agreement are not negotiable.

5. I understand that my investment in a Store contains substantial business risks and that there is no guarantee that it will be profitable.

6. I acknowledge that USI reserves the right to distribute, and may presently be distributing, the same products and services which my Store will offer and sell, through alternative channels of distribution using the Marks and the Licensed Methods, at any location.

7. I have been advised by USI and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my Store.

8. I acknowledge that the success of my Store depends in large part upon my ability as an independent business person and my active participation, or the active participation of my General Manager, in the day to day operation of the Store.

9. The name(s) of the person(s) with whom I dealt in the purchase of my Store is/are _____ . The name(s) of the person(s) listed above have been listed on the Disclosure Document receipt that I signed and sent to the Franchisor.

Dated: _____, 20____

FRANCHISEE

FRANCHISEE

(Print Name) (if a corporation or partnership)

(Print Name) Individually

By: _____
Title: _____

(Print Name) Individually

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA**

Indiana law prohibits us from establishing a company-owned Store within a reasonable area of your Franchised Location which would compete unfairly with you.

In Items 17(c), 17(i) and 17(m), any releases you sign will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Practices Act.

Item 17(r) may not be enforceable under the Indiana Deceptive Practices Act.

Item 17(w) Indiana franchise laws apply even though Colorado law applies generally.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF IOWA**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. Dispute Resolution. Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

**NOTICE AND DISPUTE RESOLUTION
NON-BINDING ARBITRATION/LITIGATION**

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding

the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. **Governing Law/Consent to Venue and Jurisdiction.**

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Section D. **Injunctive Relief.**

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

[SIGNATURE PAGE TO FOLLOW]

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

The following provisions supersede anything to the contrary included in Item 17 and apply to all Franchises offered and sold to residents of the State of Maryland or to be located in the State of Maryland:

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

Under Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

You may bring any cause of action against us in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20__.

1. The following shall be added at the end of Sections 3.3.g (“**Conditions of Consent to Transfer**”) and 1.3.b.9 (“**Term and Renewal**”):

Any release executed in connection herewith will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

2. The following sentence is added to the end of Section 6.3 (“**Governing Law/Consent to Venue and Jurisdiction**”):

The Franchisee may commence any cause of action against the Franchisor in the state or federal courts of Maryland or Colorado. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.

3. The following sentence is added to the end of 6.12 (“**Entire Agreement**”), Sections 6.13 (“**Modifications**”), and 6.15 (“**Acknowledgement**”):

Provided, however, that this provision is not limited to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Laws.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
GENERAL RELEASE
FOR THE STATE OF MARYLAND**

This Rider to the General Release by and between U-Swirl International, Inc. and Franchisee is dated _____, 20__.

1. The following shall be added at the end of Recital C:

; provided however, that this Release shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law;

2. The following sentence is added to the end of Section 1:

Notwithstanding the foregoing, this Release shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the General Release on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
CLOSING ACKNOWLEDGEMENT
FOR THE STATE OF MARYLAND**

The following statement is added as the last paragraph of the Closing Acknowledgement:

The representations made in this Closing Acknowledgement are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

Dated: _____

Dated: _____ By: _____

Date: _____ By: _____

Date: _____ By: _____

Date: _____ By: _____

(If a corporation, must be signed by each person owning any share(s) of any class of stock of the corporation; if a limited liability company, must be signed by each person having an ownership interest; if a partnership, must be signed by each partner.)

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

We are contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the Marks, when your rights granted therein warrant protection.

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the applicable agreement.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In Items 17(c), 17(i) and 17(m) any releases you sign will not apply to any claims that may arise under the Minnesota Franchise Act.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20__.

1. The following shall be added at the end of Sections 1.3.b.9 and 3.3.g of the Franchise Agreement:

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

2. The following paragraph is added to Section 1.4.j. of the Franchise Agreement:

The Franchisor agrees to protect the Franchisee against claims of infringement or unfair competition with respect to the Franchisee's authorized use of the Proprietary Marks, when the Franchisee's rights granted therein warrant protection.

3. The following paragraph is added to Section 5 of the Franchise Agreement:

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of this Agreement.

4. The following language is added to Section 6.3 of the Franchise Agreement:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF MINNESOTA**

THIS RIDER (“Rider”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. Dispute Resolution. Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

NOTICE AND DISPUTE RESOLUTION

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding

the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. **Governing Law/Consent to Venue and Jurisdiction.**

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Section D. **Injunctive Relief.**

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to seek injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may seek such injunctive relief, without posting a bond or bonds, as determined by a court of competent jurisdiction, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

1. The following paragraphs are added to the state cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS..

2. The Franchisor's registered agent in the state authorized to receive service of process is:

New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

3. The following Risk Factor is added to the state cover page:

THE FRANCHISE AGREEMENT PROVIDES THAT VENUE IS TO BE IN THE STATE OF COLORADO. THIS MEANS THAT IF YOU PURCHASE A FRANCHISE AND A DISPUTE ARISES, YOU WILL HAVE TO DEFEND OR MAINTAIN THE PROCEEDINGS IN THE STATE OF COLORADO.

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

Except as provided above, with regard to the Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the Franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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

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

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

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

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

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

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

7. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** Item 17(i), titled **“Franchisee’s obligations on termination/nonrenewal,”** and Item 17(m), titled **“Conditions for franchisor approval of transfer”**:

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

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

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

9. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

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

10. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

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

11. THE FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE PROSPECTUS ANY MATERIAL FACT, NOR DOES THE PROSPECTUS CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20_____.

1. The following shall be added at the end of Section 1.3.b.9 and 3.3.g:

“..., provided however, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.”

2. The following shall be added to Article 5:

The Franchisee may terminate this Agreement upon any grounds available by law.

3. The following shall be added at the end of Section 6.3:

The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

1. The following statement is added at the end of Items 17(c), 17(i) and 17(m):

(Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law).

2. The following statement is added at the end of Item 17(r):

Covenants not to compete such as those mentioned above are generally considered unenforceable in the state of North Dakota.

3. Item 17(v) is deleted in its entirety.

4. Item 17(w) is deleted in its entirety.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20__.

1. The following statement is added to Section 2.10:

(Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.)

2. Section 1.3.b.9 and Section 3.3.g are deleted in their entirety.

3. Section 6.3 is deleted in its entirety and the following is substituted in its place:

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 federal law, all matters regarding this Agreement arising out of the North Dakota Franchise Investment Law shall be governed thereby and all other matters regarding this Agreement shall be governed by the laws of the State of North Dakota.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND**

1. The following paragraph is added at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF RHODE ISLAND**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20____ is made effective on _____, 20____, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. Dispute Resolution. Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

NOTICE AND DISPUTE RESOLUTION

Section A. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section B. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule

13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section C. **Governing Law/Consent to Venue and Jurisdiction.**

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Section D. **Injunctive Relief.**

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. Effectiveness. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
DISPUTE RESOLUTION
FOR THE STATE OF SOUTH DAKOTA**

THIS RIDER (“**Rider**”) to the Franchise Agreement (“**Agreement**”) dated _____, 20__ is made effective on _____, 20__, between U-Swirl International, Inc. (the “**Franchisor**”) and _____ (the “**Franchisee**”). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. **Dispute Resolution.** Sections 6.3 and 6.9 of the Agreement shall be deleted in their entirety. The Franchisor and the Franchisee agree to resolve all disputes in accordance with the following provisions:

**NOTICE AND DISPUTE RESOLUTION
NON-BINDING ARBITRATION/LITIGATION**

Section B. Non-Binding Arbitration.

Except as provided in Section C with regard to bringing a civil action related to or based on the Marks, any lease of real estate or enforcement of the covenant not to compete and in Section D with regard to injunctive relief, as a condition precedent to bringing a civil action, all controversies, disputes or claims between the Franchisor, its affiliates, subsidiaries, officers, directors or employees (collectively, the “**Franchisor Affiliates**”) and the Franchisee, the Franchisee’s parent, subsidiary or affiliates and their respective officers, directors, shareholders, members, managers, partners, employees, independent contractors, agents, sales people and attorneys (collectively, the “**Franchisee Affiliates**”) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) the Licensed Methods, shall be submitted for non-binding arbitration to the American Arbitration Association (“**AAA**”) on demand of either party. Such non-binding arbitration proceedings shall be conducted in Denver, Colorado, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the AAA. If the parties are unable to resolve the controversy, dispute or claims at the conclusion of the non-binding arbitration proceeding, then either party shall be entitled to pursue a civil action against the other to resolve the dispute.

Section C. Scope of Non-Binding Arbitration.

Although the arbitrator has the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys’ fees and costs, provided that the arbitrator shall not have the authority under Rule 43 of the Commercial Arbitration Rules of the AAA to award exemplary or punitive damages, the award and decision of the arbitrator shall not be conclusive or binding upon the parties hereto. The Franchisor and the Franchisee agree that, in connection with any such non-binding arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that non-

binding arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other person, corporation or partnership.

Section D. Governing Law/Consent to Venue and Jurisdiction.

All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the “**FAA**”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding in court involving the Franchisee or the Franchisee Affiliates and the Franchisor or the Franchisor Affiliates, all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County, Colorado and federal courts located in Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Section E. Injunctive Relief.

Notwithstanding the above provision for arbitration, the Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling no more than \$500, but upon due notice, and the Franchisee’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

2. **Effectiveness.** This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

[SIGNATURE PAGE TO FOLLOW]

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

U-SWIRL INTERNATIONAL, INC.

By: _____
Greg Pope, Sr. VP Franchise Development

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for use in the Commonwealth of Virginia shall be amended as follows:

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

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT FOR
THE STATE OF WASHINGTON**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

2. Item 17(d) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(d) Termination by franchisee	Section 5.1	You may terminate the Agreement upon any grounds available by law.

3. Item 17(q) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(q) Non-competition covenants during the term of the franchise	Section 2.10	No involvement in competing business (subject to applicable state law).

4. Item 17(r) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(r) Non-competition covenants after the franchise is terminated or expires	Section 2.10	No involvement in competing business (subject to applicable state law).

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20_____.

1. The following statement shall be added at the end of Section 5.1:

The Franchisee may terminate the Agreement upon any grounds available by law.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

**ADDENDUM TO THE
U-SWIRL INTERNATIONAL, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN**

REGISTRATION OF THIS FRANCHISE IN WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**RIDER TO THE
U-SWIRL INTERNATIONAL, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN**

This Rider to the Franchise Agreement by and between U-Swirl International, Inc. and Franchisee is dated _____, 20__.

1. The following paragraph is added to Section 5.1:

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

U-SWIRL INTERNATIONAL, INC.

FRANCHISEE:

By: _____
Gregory L. Pope, Sr. VP Franchise Development

FRANCHISEE (Print Name)

By: _____
Title: _____

EXHIBIT J
(TO DISCLOSURE DOCUMENT)

CLOSING ACKNOWLEDGEMENT

In order to ensure that your decision to purchase a U-Swirl International, Inc. (“USI”) franchise is based upon your own independent investigation and judgment, please complete and sign this Acknowledgement. All terms not defined herein shall have their respective meanings as set forth in the Franchise Agreement dated of even date herewith between the undersigned Franchisee and USI.

1. I have not received any information, either oral or written, regarding the sales, revenues, earnings, income or profits of Stores from any officer, employee, agent or sales representative of USI, except as may be set forth in Item 19 of the Franchise Disclosure Document.

2. I have not received any assurances, promises or predictions of how well my Store will perform financially from any officer, employee, agent or sales representative of USI.

3. I have made my own independent determination that I have adequate working capital to develop, open and operate my Store.

4. I acknowledge that USI will provide guidelines for a suitable site for my Store, but I understand that I am responsible for the final decision regarding the selection of a suitable site.

5. I am not relying on any promises of USI which are not contained in the USI Franchise Agreement or in the most recent Franchise Disclosure Document furnished by USI or its authorized representative.

6. I acknowledge that the terms of the USI Franchise Agreement are not negotiable.

7. I understand that my investment in a Store contains substantial business risks and that there is no guarantee that it will be profitable.

8. I acknowledge that USI reserves the right to distribute, and may presently be distributing, the same products and services which my Store will offer and sell, through co-branded stores and through alternative channels of distribution using the Proprietary Marks and the System, at any location.

9. I have been advised by USI and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my Store.

10. I acknowledge that the success of my Store depends in large part upon my ability as an independent businessperson and my active participation, or the active participation of my General Manager, in the day to day operation of the Store.

11. The name(s) of the person(s) with whom I dealt in the purchase of my Store is/are _____ . The name(s) of the person(s) listed above have also been listed on the Franchise Disclosure Document receipt that I signed and provided to USI.

FRANCHISEE:

Date

Name of Entity

By: _____
Title: _____

FRANCHISEE

Date

, Individually

Date

, Individually

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:

California: <u>Exemption</u>	New York: <u>Exemption</u>
Hawaii: <u>Pending</u>	North Dakota: <u>Pending</u>
Illinois: <u>Pending</u>	Rhode Island: <u>Pending</u>
Indiana: <u>Exemption</u>	South Dakota: <u>Pending</u>
Maryland: <u>Pending</u>	Virginia: <u>Pending</u>
Michigan: <u>Exemption</u>	Washington: <u>Pending</u>
Minnesota: <u>Pending</u>	Wisconsin: <u>Pending</u>

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 K
(TO DISCLOSURE DOCUMENT)

RECEIPT

(Keep this copy for your records.)

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

If U-Swirl International, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is U-Swirl International, Inc., located at 265 Turner Drive, Durango, Colorado 81303, Telephone: (970) 375-5687.

Issuance date: September 7, 2021.

The franchise seller(s) for this offering are _____ located at 265 Turner Drive, Durango, Colorado 81303, Telephone (970) 375-5687, and/or _____, located at _____.

U-Swirl International, Inc. authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated September 7, 2021, and effective in the franchise registration states on the dates noted on the State Effective Dates page, that included the following Exhibits:

- | | | | |
|-----|--|---|---|
| A | List of State Agencies/Agents for Service of Process | F | General Release |
| B | Franchise Agreement | G | List of Franchisees |
| B-1 | RMCF Co-Brand Amendment to Franchise Agreement | H | Franchisees Who Have left the System |
| C | Financial Statements | I | State Addenda and Riders to Disclosure Document, Franchise Agreement and Other Exhibits |
| D | Operations Manual Table of Contents | J | Closing Acknowledgement |
| E | Nondisclosure and Noncompetition Agreement | K | Receipt of Disclosure Document |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

RECEIPT

(Return this copy to us)

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

If U-Swirl International, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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| D | Operations Manual Table of Contents | J | Closing Acknowledgement |
| E | Nondisclosure and Noncompetition Agreement | K | Receipt of Disclosure Document |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt by signing, dating and mailing it to 265 Turner Drive, Durango, Colorado 81303.