

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section in Agreement*	Summary
a. Term of the franchise	15(a)	Probationary Period until your Cold Stone Creamery restaurant opens to the public for business; will be automatically extended through the tenth anniversary of the Franchise Agreement unless we provide to you, prior to the end of the Probationary Period, written notice that the Franchise Agreement will expire as of the end of the Probationary Period (based upon our good faith belief that you (i) may not be a good fit within the Cold Stone Creamery system or (ii) may adversely affect our goodwill or reputation, our products or the Service Marks) (however, if you signed the Franchise Agreement in connection with a Majority-owned Transfer, the extension period will expire on the date that the transferring franchisee's Franchise Agreement would have expired; see (m))
	Exhibit H (Sublease) - 2.1	Term of the Master Lease minus one day
b. Renewal or extension of the term	15(b)	4 additional 5-year terms (or such lesser number as are remaining under your transferor's Franchise Agreement if you signed the Franchise Agreement in connection with a Majority-owned Transfer); See also (a)
	Exhibit H (Sublease) - 2.2, 2.3	Same as Master Lease minus one day
	Exhibit I (Master Lease) - 2.2	3 additional 3-year terms

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Provision	Section in Agreement*	Summary
c. Requirements for you to renew or extend	15(b)	You must be in good standing; you must not have a history of repeated breaches; provide timely notice of intent to renew; pay renewal fee; we have not notified you that we object to the renewal and returned the renewal fee to you; remodel; sign the then-current form of Franchise Agreement; sign a general release of us and our affiliates; attend additional training programs or refresher courses.
	Exhibit H (Sublease) - 2.2, 2.3	You must be in good standing and you must notify us of your intent to renew at least 60 (but not more than 90) days before we are required to notify the Master Landlord of intent to renew; see also (a)
	Exhibit I (Master Lease) - 2.2	No event of default exists; timely notice of intent to renew given to Master Landlord
d. Termination by you	Not applicable	You may not terminate the Franchise Agreement without our written consent
	Exhibit I (Master Lease) - 11.4, 11.5	One-time right to terminate the lease 60 months after the commencement date of the Master Lease; if Master Landlord breaches certain conditions and does not timely cure
	Exhibit J (Lease Addendum) - 6.2	One-time right to terminate the lease 60 months after the commencement date of the Master Lease
e. Termination by the Franchisor without cause	None	But see (a) with respect to the expiration at the end of the Probationary Period
f. Termination by the Franchisor with cause	16	See (g) and (h)
	Exhibit H (Sublease) - 4, 16	If you default under the Franchise Agreement, the Sublease or the Master Lease, we may exercise our remedies, including the loss of possession of your restaurant site, which will result in the loss of the franchise
	Exhibit I (Master Lease) - 11.1	See (g)

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Provision	Section in Agreement*	Summary
g. "Cause" defined- defaults which can be cured	16(a), (b), (d), (e), (f), (j), (k), (m), (t) and (x)	Failure to pay us or an affiliate money owed; Breach of curable non-monetary provisions; Breach of Sublease or Master Lease; Failure to satisfy Continuing Working Capital Requirements; Involuntary lien placed on your business assets; Conduct of business in a manner adverse to us, if curable; Loss of restaurant site; Loss of permit or license; Unapproved transfers; Violation of any health, safety or sanitation law, regulation, rule or ordinance; Refusal or failure to allow us access to the premises of your Cold Stone Creamery restaurant
	Exhibit H (Sublease) -16	Failure to pay amounts due under Master Lease or Sublease; Failure to perform any other obligation under the Master Lease, or the Sublease; Defaults in any obligation under the Franchise Agreement or any other agreement between you or your affiliates and us or our affiliates
	Exhibit I (Master Lease) - 11.1	Failure to pay rent or other monies due; breach of any other obligation under the Master Lease

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Provision	Section in Agreement*	Summary
h. "Cause" defined- defaults which cannot be cured	4(d); 14(h); 16(b), (c), (d), (f), (g), (h), (i), (k), (l), (m), (n), (o), (p), (q), (s), (u), (v) and (w)	Breach of non-curable non-monetary provisions; Underreporting of Gross Sales; Repetitive breaches; Bankruptcy or insolvency of Franchisee or Principal; Failure to open restaurant within one year or 150 days after the Master Landlord makes the site for your Cold Stone Creamery restaurant available to you, as determined by us (whichever occurs first); Conduct of business in manner adverse to us; Unapproved transfers; Failure to transfer to an approved transferee upon death, disability or dissolution of marriage; Loss of restaurant site; Loss of permit or license; Failure to satisfactorily complete training program (based upon, among other things, the results of tests, whether you are competent in performing the skills necessary to operate your Cold Stone Creamery restaurant, whether you can speak English fluently and whether you have an aptitude for the operation of your Cold Stone Creamery restaurant) or refusal to attend training program a second time; Termination of another Franchise Agreement or any other agreement; Damage to equipment, premises, goodwill or reputation of Cold Stone Creamery, our products or the Service Marks or any other breach of the Franchise Agreement at any time after you have received notice of termination of the Franchise Agreement; We have exercised our right of first refusal in connection with a transfer or we have disapproved a requested transfer; You misrepresent or commit fraud in connection with any information contained in any other oral or written information communicated to us; abandonment of the Cold Stone Creamery restaurant; Conviction of, or pleading guilty or no contest to, a felony or other crime or offense that may adversely affect our goodwill or reputation, our products or the Service Marks; Conduct that may adversely affect our goodwill or reputation, our products or the Service Marks; Conduct that violates any law, regulation, rule or ordinance; Commission of an act of moral turpitude; Your use, or permitting the use of, your Cold Stone Creamery restaurant for any illegal or unauthorized purpose
	Exhibit H (Sublease) -16	Failure to pay amounts due under Master Lease or Sublease; Bankruptcy of, or general assignment for the benefit of creditors by, Franchisee; defaults under the Master Lease that are not curable

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Provision	Section in Agreement*	Summary
i. Your obligations on termination/nonrenewal	15(d); 17	Except for expiration at the end of the Probationary Period, you will forfeit all fees paid; will receive no payment for good will; Must return Operating Manual, materials relating to Service Marks, Copyrights, Innovations and Proprietary Information and other property of ours (We may enter site to obtain); Must cease using (directly and indirectly) the Service Marks, Copyrights, Innovations and Proprietary Information and if, necessary, renovate the site to remove the Service Marks and the Trade Dress (We have the right, by power-of-attorney, to do so if you do not do so); Pay all amounts outstanding to us and our affiliates within 10 days; also see (o)
	Exhibit H (Sublease) - 16	Pay amounts due under the Sublease and the Master Lease
	Exhibit I (Master Lease) - 11.2, 11.3	Pay Master Landlord amounts due under the Master Lease
j. Assignment of contract by the franchisor	23	No restrictions; however, no assignment will be made except to an assignee who, in our good faith and judgment is willing and able to assume our obligations under the Franchise Agreement No restrictions
	Exhibit H (Sublease) - 23 Exhibit I (Master Lease) - 20.10	No restrictions on Master Landlord
k. "Transfer" by you-definition	14(b); 14(h)	Subfranchising is prohibited; Sales or transfers your Cold Stone Creamery restaurants' assets (other than in the ordinary course of business) are prohibited; Any sale or other transfer, including mergers, stock purchases and issuances and bankruptcy; upon your death, disability or dissolution of marriage, an approved transfer must be made within 90 days
	Exhibit G (Agreement of Intent to Sublet) - 3	Our approval is required
	Exhibit H (Sublease) -10, 23	Our approval is required

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Provision	Section in Agreement*	Summary
l. Franchisor approval of transfer by you	14(b); 14(h)	Our approval is required; you must be in good standing to obtain approval; See (o)
	Exhibit G (Agreement of Intent to Sublet) - 3	Our approval is required
	Exhibit H (Sublease) -10, 23	Our approval is required
	Exhibit I (Master Lease) - 10.1, 10.2	Landlord's consent required, except sublease or assignment to franchisee
	Exhibit J (Lease Addendum) - 5.1	Landlord's consent required, except sublease or assignment to franchisee
m. Conditions for the Franchisor's approval of transfer	14	Give us written notice of terms of transfer, financial and other information about transferee and pay a transfer fee, the Lease Administration Fee and an amount between \$2,000 and \$6,000, as determined by us, to pay for our attorney's review of the Master Lease on our behalf, if required in connection with the transfer (See ITEM 6 (Other Fees)); the transfer must be for cash; we may exercise its right of first refusal or approve or disapprove of the transfer; if we approve the transfer, the transferee must sign the then-current form of Franchise Agreement and attend and satisfactorily complete the training program before the closing; the transferee's Principals must guarantee the transferee's obligations to us and ours affiliates and be bound by the confidentiality, non-employment and non-compete restrictions; and you must sign a general release of us and our affiliates; remodel; engage an escrow officer approved by us to close the transfer; pay all amounts outstanding and cure any breaches; you will remain liable for the transferee's obligations under its Franchise Agreement for a period of up to five years; See (o)
n. Franchisor's right of first refusal to acquire your business	14	If you want to transfer the franchise, we have the right to purchase the franchise on the same terms as the transferee; also, see (o)

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o. Franchisor's option to purchase your business	15(d); 17(b)	Upon expiration of the Franchise Agreement at the end of the Probationary Period, if you comply with certain requirements, we will refund to you the Initial Franchise Fee (less our expenses) and, if you have completed Stage 4 of our training program, we will purchase the equipment, signage and fixtures purchased by you in connection with the establishment of your Cold Stone Creamery restaurant in accordance with our standards and specifications at a stated price; upon other expiration or termination of the Franchise Agreement, we may purchase the equipment, signage and other tangible assets and/or assume the Master Lease; if required, we will purchase your tangible assets; the purchase price will be based upon a stated formula
p. Your death or disability	14(h); 16(a)(xiv)	Upon your death or disability, the franchise must be transferred to an approved transferee within 90 days
q. Non-competition covenants during the term of the franchise	13; Exhibit D (Agreement to be Bound and to Guarantee); Exhibit F (Restrictive Covenant)	You and your Principals, officers, managers and employees may not operate a business that manufactures, produces, markets or sells ice cream, frozen yogurt, cakes, pies, smoothies, shakes, specialty beverages or other frozen dessert products within or outside of, or for consumption within or outside of, the United States; liquidated damages
r. Non-competition covenants after the franchise is terminated or expires	13; Exhibit D (Agreement to be Bound and to Guarantee); Exhibit F (Restrictive Covenant)	You and your Principals, officers, managers and employees may not operate a business that manufactures, produces, markets or sells ice cream, frozen yogurt, cakes, pies, smoothies, shakes, specialty beverages or other frozen dessert products within or outside of, or for consumption within or outside of, the United States; liquidated damages

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Provision	Section in Agreement*	Summary
s. Modification of the agreement	24	<p>If you or an affiliate subsequently sign a franchise agreement with us, the Franchise Agreement and all franchise agreements (and all documents signed in connection with those franchise agreements) previously signed by you or an affiliate will be automatically amended to be identical to the Franchise Agreement (and all documents signed in connection with the Franchise Agreement) you subsequently sign, except that the term of the Franchise Agreement and all previously signed franchise agreements will be the periods remaining under the Franchise Agreement and those franchise agreements and the renewal fee contained in the Franchise Agreement and the previously-signed franchise agreements will be the renewal fee in the Franchise Agreement and those franchise agreement; upon signing the Franchise Agreement, all franchise agreements (and all documents signed in connection with those franchise agreements) previously signed by you or an affiliate will be automatically amended to be identical to the Franchise Agreement (and all documents signed in connection with the Franchise Agreement), except that the term of previously-signed franchise agreements will be the periods remaining under those franchise agreements and the renewal fee contained in the previously-signed franchise agreements will be the renewal fee in those franchise agreement; the Operating Manual may be modified by us without your approval; fees payable to us or our affiliates (including Initial Franchise Fees for subsequent units, royalties, advertising payments and payments relating to audits, transfers, additional training, consulting, interest, late payments or reports and liquidated damages) may be modified without your approval; otherwise, no modifications may be made without both parties' approval</p>
	Exhibit I (Master Lease) ~ 20.16	Written agreement of both parties to Master Lease

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t. Integration/Merger Clause	2; 24; 26	<u>See</u> Section (s). Only the terms of the agreements contained in this Franchise Offering Circular are binding (subject to state law); there have been no oral representations, warranties or agreements, nor any claims or representations regarding potential sales, profits or earnings achievable by you .
	Exhibit H (Sublease) - 25	Only the terms of the agreements contained in this Franchise Offering Circular are binding
	Exhibit I (Master Lease) - 20.16	Only the terms contained in the Master Lease are binding
u. Dispute resolution by arbitration or mediation	30	Required, subject to certain exceptions
v. Choice of Forum	29, 30; Exhibit D (Agreement to be Bound and to Guarantee)-15; Exhibit F (Restrictive Covenant)-9(c)	Subject to state law, Phoenix, Maricopa County, Arizona, except for claims by us for injunctive relief, which can be brought anywhere - Claims arising under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland
w. Choice of Law	29; Exhibit D (Agreement to be Bound and to Guarantee) -15; Exhibit F (Restrictive Covenant) -9(c); Exhibit G (Agreement of Intent to Sublet) -5; Exhibit H (Sublease) -21; Exhibit I -20.15	Subject to state law, Arizona law – The foregoing choice of law should not be considered a waiver of any right conferred upon us or upon the Franchisee by Article 33 of the General Business Law of the State of New York

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The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101, *et seq.*).

These states have statutes which may supersede the Franchise Agreement with respect to your relationship us, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-

523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Franchise Agreement with respect to your relationship with us, including the areas of termination and renewal of your franchise.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote the Cold Stone Creamery franchise.

ITEM 19 EARNINGS CLAIMS

The average annual Gross Sales for Cold Stone Creamery restaurants for 2005 is \$381,985¹ (the "average unit volume"). 379 (or 42.73%) of the 887 Cold Stone Creamery stores that were open for business during the entire year achieved an annual volume equal to or above that average.

Footnotes

¹Calculated by (a) dividing (i) the total Gross Sales reported by all Cold Stone Creamery company-owned stores and franchisee/licensee-owned stores that reported sales for at least one day of the 52-week period beginning December 27, 2004 and ending December 20, 2005 (1,247 units) by (ii) the total number of reported days during that period (386,557 days), and (b) multiplying the quotient by the actual number of days for which sales were reported in the 2005 calendar year (363 days). If a franchisee/licensee failed to submit a sales report for any particular day's sales, the sales from that day of the prior week were used.

The above figures (which reflect Gross Sales, not profits) were calculated based upon information reported to us by franchisees/licensees in their weekly sales reports and our and our affiliates' books and records with respect to company-owned stores. The information reported to us by franchisee/licensees has not been audited, reviewed or verified by us.

The above figures do not reflect the costs of sales, operating expenses or other costs and expenses that must be deducted from the gross revenue or gross sales figures to obtain net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Cold Stone Creamery restaurant. Franchisees or former franchisees (listed in this Franchise Offering Circular) may be one source of this information.

Actual results vary from unit to unit, and we cannot estimate the results of any particular Franchise. Although some units have achieved the above Gross Sales, the Gross Sales and financial results of your Franchise are likely to differ from the figures stated above, and there is no assurance that you will do as well. If you rely upon the above figures, you must accept the risk of not doing as well. The 379 units that were open all year and achieved an average annual volume equal to or above the average unit volume are "mature units" (units that have

been in business for over a one year period); accordingly, a new franchisee's individual Gross Sales and financial results are likely to differ from the results stated above. Further, your Gross Sales and your financial results will depend upon, among other things, such factors as your location; local and national economic conditions; how much you follow our methods and procedures; your management skill, experience and business acumen; whether you personally manage your restaurant or hire a manager; the region in which your Cold Stone Creamery restaurant is located; whether the premises is in a new or existing center; the physical size and location of your restaurant; the condition of the premises and the amount and nature of tenant improvements required; the architectural criteria of the center; the HVAC & electrical systems present or necessary; the local market for our product; the competition in your local market; the prevailing wage rate; competition; and the sales level reached during the initial period.

Substantiation of the data used in preparing the above figures will be made available to you upon reasonable request.

Except as stated above, we do not furnish, or authorize our salespeople to furnish, any oral or written information concerning the actual or potential sales, costs, income or profits of a Cold Stone Creamery restaurant.