

representative inventory, depending upon the size of the Unit, of the following categories of products: vitamin formulas, mineral formulas, nutritional supplement formulas, sports nutrition products, diet products, herbs, nutritional candies, sport drinks, low fat and fat free items and natural food items. Each franchise will be required to implement and maintain a core inventory of representative products as Smoothie King directs. Depending upon the circumstances and size of your Business, some categories of product lines may be added or omitted, but only upon our prior written consent. Smoothie King must approve the products and their suppliers (see Item 8). Smoothie King may require you to carry only specific product lines and certain brands in the future.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER  
AND DISPUTE RESOLUTION**

These tables list important provisions of the franchise agreement and related agreements. You should read these provisions in the agreements attached to this offering circular.

	PROVISION	SECTION IN FRANCHISE AGREEMENT OR ADDENDUM	SUMMARY
a.	a. Term of the franchise	Section 2.1; Addendum Section 2	Traditional location - 10 years. Non-traditional location -5 years under addendum or less at your election if your lease term is less than 5 years.
b.	b. Renewal or extension of the term	Section 2.2; Addendum Section 2	You may renew your agreement for 3 additional terms of 5 years each.
c.	c. Requirements for you to renew or extend	Section 2.2; Addendum Section 2	You must have a good record of compliance with the <del>Operations Manual</del> requirements of all Smoothie King manuals and be in compliance with the Franchise Agreement; satisfy all monetary obligations to Smoothie King; give written notice; remodel Unit; attend training; sign release; pay renewal fee; and sign new franchise agreement.
d.	d. Termination by you	None	N/A
f.	e. Termination by Smoothie King without cause	None	N/A
g.	f. Termination by Smoothie King with cause	Article XIV; Addendum Section 7	Smoothie King can terminate only if you default.

PROVISION	SECTION IN FRANCHISE AGREEMENT OR ADDENDUM	SUMMARY
h. i. g. "Cause" defined--defaults which can be cured	Sections 14.2 and 14.3; Addendum Section 7	You have 24 hours to cure: failure to allow Smoothie King to inspect your Business; or violation of any law, regulation, order or system standard relating to health, sanitation or safety; You have 10 days to cure non-payment of fees and failing to observe standards, recipes, ingredients or procedures; You have 30 days to cure: failure to submit reports; failure to obtain Smoothie King's required consent; failure to obtain execution of confidentiality and non-compete agreements; if you make an unauthorized transfer to a third party; failure to attend and complete the initial management training program to Smoothie King's satisfaction; fail to obtain financing within six months or open the Unit within one year; you do not substantially comply with any other Franchise Agreement obligations or carry out its terms in good faith; if you are in default under the terms of any other franchise agreement (Addendum).
h. i. h. "Cause" defined--defaults which cannot be cured	Sections 14.1	Non-curable defaults: insolvency, general assignment to creditors or file petition in bankruptcy; convicted of felony or liable in civil claim for practice that may have an adverse effect on the System; fail to comply with covenants not to compete; unauthorized disclosure of Manuals or confidential information; knowingly maintain false books or records or knowingly submit false reports; abandonment of Unit (except for certain events not in your control); commit act that impairs goodwill of Proprietary Marks; non-curable default; violation of immigration laws or loss of immigration status to operate Business: repeated defaults even if cured; knowingly fail to comply with requirements concerning taxes, permits and indebtedness.
j. k. i. Your obligations on termination/ non-renewal	Article XVI; Addendum Section 9	Obligations include immediately ceasing to operate the Unit; discontinue use of Proprietary Marks and Proprietary Software; return Manuals, other materials and confidential information and intellectual property; assign telephone numbers if requested; payment of amounts due; assign lease if requested; de-identify Business; allow Smoothie King to purchase proprietary products at cost; maintain confidentiality of information (also see r. below).
j. k. j. Assignment of contract by Smoothie King	Section 15.10	No restriction on Smoothie King's right to assign.

	PROVISION	SECTION IN FRANCHISE AGREEMENT OR ADDENDUM	SUMMARY
k.	k. "Transfer" by you-- definition	Section 15.1	Includes transfer of contract, assets or ownership interest.
l. m.	l. Smoothie King's approval of transfer by franchisee	Section 15.5	You must obtain Smoothie King's consent to all transfers, except a transfer to an heir or beneficiary after your death or mental incapacity. Smoothie King will not unreasonably withhold approval as long as certain conditions are satisfied.
n. o.	m. Conditions for Smoothie King approval of transfer	Article XV; Addendum Section 8	You may transfer your interest to a corporation or other legal entity if you retain ownership of a majority of the total voting power. You may transfer to a third party if: Smoothie King does not exercise its right of first refusal; the transferee qualifies; all of your obligations are satisfied; you are in compliance with your Franchise Agreement; the transferee enters into a personal guaranty; you sign a release; you and the proposed transferee have complied with provisions regarding confidentiality and non-competition; the transfer fee is paid (see Item 6); transferee enters into a new franchise agreement, remodels the premises and completes training. If you are a business entity, your principals may transfer part of their ownership interest if they retain over 50% of the total voting power if prior notice is given, Smoothie King approves and confidentiality and non-compete agreements are obtained.
n. o.	n. Smoothie King's right of first refusal to acquire the Unit	Section 15.4	Smoothie King can match any offer for the Unit.
p. q.	o. Smoothie King's option to purchase the Unit	Sections 16.2 and 16.3	Smoothie King may conduct an inventory of your assets within 15 days and exercise its option to purchase your assets at fair market value within 30 days after the Franchise Agreement expires or is terminated. Also, Smoothie King may purchase any proprietary product you may have at fair market value.
p.	p. Your death or disability	Section 15.3	Your estate must transfer your interest to your heirs or beneficiaries, or a third party approved by Smoothie King.
r. s. t.	q. Non-competition covenants during the term of the franchise	Article XVII	No involvement in similar business anywhere; cannot divert business to a competitor; or employ team member of Smoothie King or another franchisee without consent.

	PROVISION	SECTION IN FRANCHISE AGREEMENT OR ADDENDUM	SUMMARY
q. r. s.	r. Non-competition covenants after the franchise is terminated or expires	Article XVII	No involvement in similar business for two years within a 5 mile radius of the Unit location or any other franchisee or Smoothie King company-owned Business; cannot compete with or solicit guests of Smoothie King® or other franchisees; cannot divert business to competitor; or employ team member of Smoothie King or another franchisee without consent.
t. u.	s. Modification of the Agreement	Article XXIII	No modifications generally but standards, specifications, Manuals, products and services, Proprietary Marks and other items specified in the Franchise Agreement are subject to change.
t.	t. Integration/ merger clause	Section 23.1	Only the information provided in the offering circular, and the terms of your Franchise Agreement and other agreements attached to this offering circular and signed by you are binding (subject to state law). Any other promises may not be enforceable.
v. w.	u. Dispute resolution by arbitration or mediation	None.	None.
u. v.	v. Choice of Forum (Subject to state law)	Section 25.5	All disputes, claims and controversies will be brought in the Federal District Court for the Eastern District of Louisiana or in state court in the judicial district in which Franchisor has its principal place of business.
w. x.	w. Choice of Law (Subject to state law)	Section 26.1	Louisiana law applies, subject to state law.

These states have statutes which, subject to our right to challenge the validity, applicability or construction of such statutes, may supersede the Franchise Agreement in your relationship with Smoothie King including the areas of termination and renewal of your Agreement, franchise, and choice of law: ALASKA [Stat. Sections 45.45.700-45.45.790], ARKANSAS [Code Sections 4-72-201 – 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Sections 42-133e – 42-133h], DELAWARE [Code Sections 2551 – 2556], FLORIDA [Stat. Section 542.335], HAWAII [Rev. Stat. Section 482E-6], IDAHO [Code Section 29-110], ILLINOIS [815 ILCS Sections 705/1 – 44], INDIANA [Code Sections 23-2-2.7-1 – 23-2-2.7-7], IOWA [Code Sections 523H.1 – 523H.17 and 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Sections 80C.14 and 80C.21], MISSISSIPPI [Code Sections 75-24-51 – 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 – 407.413 and 407.420], NEBRASKA [Rev. Stat. Sections 87-401 – 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 – 56:10-12], NORTH CAROLINA [Gen. Stat. Section 22B-3]; RHODE ISLAND [Stat. Sections 19-28.1-14 – 19-28.1-16] 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 enforceable under this Act”; SOUTH DAKOTA [SDCL Sections 37-5A-51 and 37-5A-51.1],

VIRGINIA [Code Sections 13.1-557 – 13.1-574], WASHINGTON [Rev. Code Section 19.100.180], WISCONSIN [Stat. Sections 135.01 – 135.07]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with Smoothie King, including the areas of termination and renewal of your franchise. For additional state law disclosures, refer to Exhibit J.

**Item 18**

**PUBLIC FIGURES**

Smoothie King does not use any public figure to promote its franchise.

**Item 19**

**EARNINGS CLAIMS**

Smoothie King does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Smoothie King Nutritional Lifestyle Center. Actual results vary from unit to unit and Smoothie King cannot estimate the results of any particular franchise.

**Item 20**

**LIST OF FRANCHISED OUTLETS**

**FRANCHISED UNITS STATUS SUMMARY FOR YEARS 2006/2005/2004/2003<sup>(1)</sup>**

State/Province	Transfers	Cancelled Or Terminated	Not Renewed	Reacquired by Smoothie King	Left the System Other	Total from Left Columns	Franchises Operating at Year End
Alabama	1/0/0	0/0/1				1/0/1	13/13/10/8
Arkansas	0/0/0	0/0/1				0/0/1	1/1/2
Arizona		0/0/1			2/0/0	2/0/1	3/5/5/6
California	1/0/1					1/0/1	12/7/6/3
Colorado							5/4/1
Florida	1/2/2/3	1/3/2			0/0/1	2/5/4/4	46/44/38/35
Georgia	0/2/2/4	2/3/2				2/5/4/4	31/27/28/29
Illinois							5/4/3/2
Indiana		0/2/0			0/0/1	0/2/0/1	8/9/8/6
Iowa							1/1/1
Kansas							4/3/4/3
Kentucky	0/0/1				0/0/1	0/4/0/1	8/6/6/3