



FRANCHISE DISCLOSURE DOCUMENT

CULVER FRANCHISING SYSTEM, INC.

a Wisconsin Corporation
1240 Water Street
Prairie du Sac, Wisconsin 53578
(608) 643-7980
www.culvers.com

If you sign a franchise agreement, you will operate a Culver's® Restaurant offering burgers, sandwiches, salads, dinners, frozen custard desserts, beverages and other menu items in a quick-service setting.

The total investment necessary to begin operation of a Culver's® Restaurant is from \$1,439,000~~14,800~~ to \$3,087,520,000. This includes a \$30,000 to \$55,000 initial franchise fee that must be paid to us.

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 government 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 Franchise Development Department at 1240 Water Street, Prairie du Sac, Wisconsin 53578, (608) ~~644~~643-7980.

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 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.

Issuance Date: March ~~29, 2013~~28, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT IS CORRECT.

Call the state franchise administrator listed in **Exhibit D** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN WISCONSIN. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN WISCONSIN THAN IN YOUR OWN STATE.
2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date	State	Effective Date
California	March 29, 2013 <u>28, 2014</u>	North Dakota	March 29, 2013 <u>Pending</u>
Illinois	March 29, 2013 <u>28, 2014</u>	Rhode Island	Pending
Indiana	March 29, 2013 <u>28, 2014</u>	South Dakota	March 29, 2013 <u>28, 2014</u>
Maryland	Pending	Virginia	Pending
Michigan	March 29, 2013 <u>28, 2014</u>	Washington	March 29, 2013 <u>Pending</u>
Minnesota	Pending	Wisconsin	March 29, 2013 <u>28, 2014</u>
New York	March 29, 2013 <u>28, 2014</u>		

In the states listed below, the effective date (issuance date) of this disclosure document is March ~~29, 2013~~28, 2014.

Alabama	Kentucky	North Carolina
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Massachusetts	Oregon
Colorado	Mississippi	Pennsylvania
Connecticut	Missouri	South Carolina
Delaware	Montana	Tennessee
District of Columbia	Nebraska	Texas
Florida	Nevada	Utah
Georgia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming
Kansas		

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

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.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

- (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 this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 373-7117.

TABLE OF CONTENTS

1.	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	1
2.	BUSINESS EXPERIENCE	3
3.	LITIGATION.....	4
4.	BANKRUPTCY	5
5.	INITIAL FEES	5
6.	OTHER FEES.....	6
7.	ESTIMATED INITIAL INVESTMENT	9
8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
9.	FRANCHISE OWNER'S OBLIGATIONS	13
10.	FINANCING	14
11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	14
12.	TERRITORY	20
13.	TRADEMARKS.....	22
14.	PATENTS AND COPYRIGHTS	23
15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	23
16.	RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL.....	24
17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	24
18.	PUBLIC FIGURES.....	27
19.	FINANCIAL PERFORMANCE REPRESENTATIONS	27
20.	OUTLETS AND FRANCHISEE INFORMATION.....	42
21.	FINANCIAL STATEMENTS.....	47
22.	CONTRACTS.....	47
23.	RECEIPTS.....	48

TABLE OF CONTENTS

(Continued)

EXHIBITS

- A. FINANCIAL STATEMENTS
- B. CULVER'S® FRANCHISE AGREEMENT (AND EXHIBITS)
- C. LISTS OF FRANCHISED AND FORMER FRANCHISED RESTAURANTS
- D. LIST OF STATE AGENCIES; AGENTS FOR SERVICE OF PROCESS
- E. PRELIMINARY AGREEMENT
- F. ACKNOWLEDGEMENT OF FRANCHISEE
- G. MENTORING PROGRAM ADDENDUM
- H. CERTIFICATION OF BUSINESS ENTITY
- I. STATE ADDENDA
- J. GENERAL RELEASE FORM
- K. RECEIPTS

1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, the words “we,” “us,” “our,” or “CFSI” refer to Culver Franchising System, Inc., the Franchisor. “You” means the person or legal entity (including its individual owners) that buys the franchise. To fully understand all your and our rights and obligations to each other, you must still carefully review the actual agreements that you will sign. These will control if there is any dispute between us.

Culver Franchising System, Inc.

We were incorporated in the State of Wisconsin on July 24, 1987, under the name Culver Franchising System, Inc. Our principal place of business is 1240 Water Street, Prairie du Sac, Wisconsin 53578. The telephone number is (608) 643-7980 and our website is www.culvers.com. We do business under our corporate name and under the name “Culver’s®.”

Several related entities assist us in providing the first part of the training program to new franchisees (See Item 11) and are considered “affiliates” of CFSI. Culver’s Corporate Custard, Inc. (“CCCI”) owns a controlling interest in GoCulv, LLC (“GoCulv”), CulvCo, LLC (“CulvCo”), MidCul, LLC (“MidCul”), CulvOH, LLC (“CulvOH”), CulvTex, LLC (“CulvTex”), and DSG, LLC (“DSG”), ~~while CFSI owns a controlling interest in TayCul, LLC (“TayCul”).~~ GoCulv currently operates three Culver’s® Restaurants in Sauk City, Richland Center and Spring Green, Wisconsin ~~that GoCulv acquired from CCCI in June 2001.~~ CulvCo currently operates the Culver’s® Restaurant in Baraboo, Wisconsin. MidCul currently operates the Culver’s® Restaurant in Middleton, Wisconsin. CulvOH currently operates the Culver’s® Restaurant in Powell, Ohio. CulvTex currently operates the Culver’s® Restaurant in Rockwall, Texas. DSG currently operates the Culver’s® Restaurant in Romeoville, Illinois. ~~TayCul currently operates the Culver’s® Restaurant in Taylor, Michigan.~~ CCCI does not directly operate any Culver’s® Restaurants. GoCulv, CulvCo and MidCul assist us in providing the first part of the training program to new franchisees. None of these affiliates have ever offered franchises in this or any other line of business. The address for each of CCCI, GoCulv, CulvCo, MidCul, CulvOH, CulvTex, ~~DSG and TayCul~~ DSG is 1240 Water Street, Prairie du Sac, Wisconsin 53578.

Our Business Experience

The first Culver’s® Restaurant opened on July 18, 1984, in Sauk City, Wisconsin. Culver Enterprises, Inc. (“CEI”), our predecessor, owned and operated this Restaurant until 1994 when it transferred the assets of the Restaurant to a relative of our Chief Executive Officer and entered into a franchise agreement for the Restaurant. In 1996, we acquired the assets of this Restaurant. In 1997, we transferred the assets of this Restaurant and two other Culver’s® Restaurants to CCCI. In 2000, CCCI opened a fourth Culver’s® Restaurant. In 2001, CCCI transferred the assets of these four Culver’s® Restaurants to GoCulv. GoCulv sold one of the Culver’s® Restaurants in August 2004. GoCulv currently owns and operates three Culver’s® Restaurants. CulvCo acquired the assets of the Baraboo, Wisconsin Culver’s® Restaurant in August 2001, and has operated that Culver’s® Restaurant since that date. MidCul acquired the assets of the Middleton, Wisconsin Culver’s® Restaurant in June 2004 and has been operating that Culver’s® Restaurant since the date. CulvOH acquired the assets of the Powell, Ohio Culver’s® Restaurant in January 2006 and has been operating that Culver’s® Restaurant since that date. CulvTex acquired the assets of the Rockwell, Texas Culver’s® Restaurant in June 2007, and has been operating that Culver’s® Restaurant since that date. In March 2007, we bought DSG that operates the Culver’s® Restaurant in Romeoville, Illinois. CFSI owned a controlling interest in TayCul, LLC which acquired the assets of the Taylor, Michigan Culver’s® Restaurant in October 2009 and has been operating/continued to operate that Culver’s® Restaurant since until it sold that date interest to a franchisee in April 2013.

We have conducted a business of the type to be operated by you, directly or through our predecessor or affiliate, since 1984. We have offered franchises for businesses similar to the type offered in this disclosure document since 1990.

We have not offered franchises in any other line of business. Other than as described above, we have

no affiliates, parents or predecessors required to be disclosed in this Item.

The Franchise

We grant you the right to operate a Culver's® restaurant (the "Restaurant") within a certain geographic area (the "Designated Territory"). Your Restaurant will offer burgers, sandwiches, salads, dinners, frozen custard desserts, beverages and other menu items for drive-thru, carryout and on-site consumption in a quick-service, casual dining setting. In addition, in certain limited instances and subject to certain restrictions, we may allow you to offer certain menu items at locations other than the Restaurant premises within your Designated Territory. You must prepare the menu items in accordance with our specified recipes and serve in accordance with our specified standards. Each Restaurant operates under the name Culver's® and other marks as we designate ("Marks"). You must operate your Restaurant under the Culver's® System (the "System"). The System is characterized by distinctive layout, service style, design, signs, decor, furnishings, recipes, procedures and techniques, all of which we may change.

We offer a "Mentoring Program" to existing franchisees who wish to open an additional Culver's® Restaurant together with a General Manager or employee of the franchisee's existing Restaurant who is performing the duties of a General Manager. The program allows an existing franchisee, subject to certain requirements, to enter into an additional Franchise Agreement for a reduced fee, as further described in Item 5. An existing franchisee that is granted a franchise under the Mentoring Program must sign the Franchise Agreement attached to this disclosure document as Exhibit B, together with the Mentoring Program Addendum, attached to this disclosure document as Exhibit G.

We also may offer you the opportunity to enter into a Franchise Agreement for an additional Restaurant and pay a reduced initial franchise fee, so long the previous franchise agreement provides for the opportunity and you meet certain criteria, as further explained in Item 5. We offer this opportunity to those franchisees that sign the Franchise Agreement attached as Exhibit B and pay the initial franchise fee as described in Item 5 of this disclosure document. Except for the initial franchise fee, which will be modified to reflect the amount detailed in Item 5, the additional franchise for existing Culver's® franchisees is the same as a Culver's® franchise operated by someone new to the System.

The Market and Competition

Your Restaurant will compete with other similar quick-service, fast casual and casual dining restaurant chains, some of which are larger and have significantly greater financial resources than CFSI and you. The market for your services will be the general public (all ages), unless your Restaurant is located at a non-traditional site, in which case your market will be limited to people employed at or frequenting the facility where your Restaurant is located. Our Restaurants are located in both metropolitan and rural areas and are operated on a year round basis. Our peak months are generally April through ~~October~~ August, however, this may vary by region.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Restaurant premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; menu-labeling requirements; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee ages, work hours, compensation, and health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

Agent for Service of Process

Our agents for service of process are disclosed in Exhibit D.

2. BUSINESS EXPERIENCE

Craig C. Culver – Chairman, Chief Executive Officer, Treasurer and Director

Mr. Culver has been Chief Executive Officer and Treasurer of CFSI since our inception in 1987. He also served as President from our inception to August 2003. He also has been the President and a Director of CEI since 1984 and of CCCI since its inception in January 1997. In November 1993, Craig Culver and his wife, Leola a/k/a Lea, purchased Culver Enterprises, Inc. and are now sole owners.

Leola R. Culver -- Vice-President, Secretary and Director

Ms. Culver has held various positions with CFSI since our inception in 1987, including that of Vice President and Secretary since January 1994. She also has been Vice President and a Director of CEI since 1984 and of CCCI since its inception in January 1997.

Phillip E. Keiser – President and Chief Operating Officer

Mr. Keiser has held several positions with CFSI since August 1996, including Director of Operations, Vice President of Operations, and since August 2000, Chief Operating Officer. In August 2003, he was named our President.

Joseph G. Koss – Chief Financial Officer

Mr. Koss has been with CFSI since September 1997, initially holding the position of Controller. Mr. Koss was promoted to Chief Financial Officer in March 2000. Mr. Koss is a Certified Public Accountant.

Karen L. Stoll – Chief Administrative Officer

Ms. Stoll has held several positions with CFSI since June 1992, including that of Chief Administrative Officer since June 2004.

Jeff A. Bonner – Vice-President of Operations and Training

Mr. Bonner has been with CFSI since September 1999, initially holding the position of Franchise Business Partner. Mr. Bonner was promoted to Regional Director of Operations in September 2003 and in February 2006 became Vice President of Operations and Training.

David Stidham – Vice President of Marketing

Mr. Stidham has been with CFSI since July 2009 holding the position of Vice-President of Marketing. ~~Before that Mr. Stidham was National Director of Marketing with Smoothie King Franchises, Inc., in New Orleans, Louisiana, from January 2008 to October 2008.~~

Thomas J. Hendricks – Vice-President of Information Technology

Mr. Hendricks has been with CFSI since November 2008 holding the position of Vice-President of Information Technology. ~~Before that Mr. Hendricks held several positions with Brown Shoe Company in Madison, Wisconsin, including Director of Retail Information Systems from March 2003 to March 2006, and Vice President of Retail Information Systems from March 2006 to November 2008.~~

Donette M. Beattie – Vice-President of Supply Chain Management

Ms. Beattie has been with CFSI since February 2009 holding the position of Vice-President of Supply Chain Management. Before that Ms. Beattie was Vice-President of Purchasing and Product Development with Country Kitchen International in Madison, Wisconsin, from July 1998 to February 2009.

Steven E. Anderson – General Counsel

Mr. Anderson has been with CFSI since August 2008 holding the position of General Counsel. ~~Before that Mr. Anderson was an attorney for Brown Shoe Company in Madison, Wisconsin, from October 2000 through July 2008.~~

Thomas J. Goldsmith – Director of Development

Mr. Goldsmith has been with CFSI since June 2002 holding the position of Director of Development.

Gary Rudsinski – Franchise Development Manager

~~Mr. Rudsinski has held two positions with CFSI since July 1999, including that of Franchise Development Manager since October 2003.~~

David J. O'Brien – Real Estate Manager

Mr. O'Brien has held two positions with CFSI since June 2005, including that of Real Estate Manager since April 2006.

Georgia Littlepage – Director

Ms. Littlepage has been a Director since January 1994. Ms. Littlepage also has been Vice President of Littlepage Enterprises, Inc., a Texas-based Culver's® franchisee since 1994.

Curt S. Culver – Director

Mr. Culver has been a Director since January 1994. He has been employed by Mortgage Guaranty Insurance Company (MGIC) since 1982 and currently serves as the Chairman and CEO.

Sue S. Culver – Director

Ms. Culver has been a Director since January 1994.

Thomas J. Zimbrick – Director

Mr. Zimbrick has been a Director since October 2010. He has been employed by Zimbrick, Inc. in Madison, Wisconsin since 1993 and currently serves as the Chief Executive Officer.

Lisa Bacus – Director

Ms. Bacus has been a Director since October 2010. ~~He~~She has been employed by CIGNA Corporation in Bloomfield, Connecticut since May 2013, serving as Executive Vice President and Global Chief Marketing Officer, and prior to that she was employed by American Family Insurance ~~since~~from March 2008 and currently serve ~~to~~ April 2013 serving as Vice President of Marketing.

Richard G. Searer – Director

Mr. Searer has been a Director since November 2013. He was the President of Kraft North America in Madison, Wisconsin from 2006 to 2009. He currently serves on a number of boards, and as an Adjunct Professor for the University of Wisconsin-Madison School of Business since 2010. Mr. Searer also has been an independent business consultant based in Madison, Wisconsin since 2011.

3. LITIGATION

Dennis J. Zattera & Blue Ridge Investments No. 2, LLC v. Culver Franchising Systems, Inc. (Case no. 10-CV-07-431), District Ct. (First Jud. District) Carver County, Minnesota, filed on April 24, 2007. Plaintiff was a Culver's® franchisee located in Chaska, Minnesota. Plaintiff alleged claims for specific performance, breach of contract, misrepresentation and promissory estoppel arising out of a mediated settlement agreement between CFSI and Plaintiff relating to an earlier action by Plaintiff's employees against Plaintiff and CFSI. As part of a mediated settlement agreement dated November 28, 2005, CFSI and Plaintiff agreed that Plaintiff would make a good faith effort to sell its Culver's® restaurant business within one year of the date of the mediated settlement agreement. If Plaintiff was unsuccessful in doing so on or before November 28, 2006, CFSI would purchase Plaintiff's restaurant business, exclusive of the real estate and improvements, which were being leased, for five times the restaurant's cash flow in 2005. Plaintiff alleged it was not able to sell its restaurant business and therefore, CFSI was required to purchase the restaurant business. CFSI and Plaintiff settled their dispute by CFSI purchasing Plaintiff's restaurant business on August 1, 2008, for \$1,200,000.00. The case has been dismissed and both parties have released each other from any further claims.

Michael L. Jones, MBAJ Group, LLC, Michael Anthony G. Wilbern and Wilbern Enterprises, LLC v. Culver Franchising System, Inc. (Case no. 1:-cv-03269), United States District Court for the Northern District of Illinois Eastern Division, filed on April 30, 2013. One plaintiff and his company was a Culver's® franchisee with one restaurant located in Indianapolis, Indiana, and another restaurant located in Noblesville, Indiana, and the other plaintiff and his company was a Culver's® franchisee with a restaurant located in Franklin Park, Illinois. Both sets of plaintiffs claim violation of civil rights Sec. 1981, seeking compensatory damages for past, present and future economic or monetary loss, compensatory damages, punitive damages, costs, attorneys' fees, and expert fees. The case is currently in the discovery phase. CFSI has strongly and categorically denied the discrimination claims contained in the lawsuit.

Other than the ~~one action~~ two actions described above, no litigation is required to be disclosed in this Item.

4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

5. INITIAL FEES

Individual Franchise Agreement

If you are new to the System, you must pay an initial franchise fee of \$55,000. You will first sign a "Preliminary Agreement" attached to this disclosure document as Exhibit E, and you must pay an "Application Fee" of \$5,000 to defray some of the cost of initial evaluation, processing of the application and background investigation. If you are approved as a Culver's® franchisee, the Application Fee will be credited towards the initial franchise fee as described below. If you are not approved, this fee will be refunded. You must sign a separate Franchise Agreement for each Restaurant you open. You do not receive any right or interest to develop or operate additional Restaurants, except as described below. ~~During 2012, we received initial franchise fees ranging from \$0 to \$55,000.~~

If we approve you as a Culver's® franchisee, you must sign a Franchise Agreement within 12 months of the notice of operational approval and pay the balance of the initial franchise fee to us at that time. If you do not sign a Franchise Agreement within 12 months after we notify you in writing that you have received operational approval, we will refund your Application Fee and terminate the application process for a Culver's® franchise.

If your Franchise Agreement provides for this opportunity, we may offer you the opportunity to develop and operate an additional Culver's® franchise during the initial term of your first Culver's® Franchise Agreement for the fee of \$45,000 provided the Operator (as defined in Item 15) for the additional Culver's® Restaurant is the same Operator as the first Culver's® Restaurant, you are in complete compliance with your Franchise Agreement, and meet our then-current qualifications (among other things, financial stability, operations ability and management skills). We reserve the right to determine whether you meet these and other qualifications. If we permit you to open an additional Restaurant, we will waive your obligation to sign the Preliminary Agreement and will waive the Application Fee. Otherwise, the process of selecting a site and entering into a franchise agreement is the same as that described above.

We also currently offer a "Mentoring Program," as described in Item 1, whereby we may grant existing franchisees an additional franchise for a reduced initial franchise fee. Currently, the initial franchise fee for those entering a franchise under the Mentoring Program is \$30,000. At the time of this disclosure document, to qualify you must establish a separate business entity to operate the additional (new) Restaurant and: (i) the Operator of your existing Restaurant must own at least 50% of the operating entity of your new Restaurant, or at least 25% of the operating entity of your new Restaurant and at least 25% of the building and real estate of your new Restaurant; and (ii) the individual being mentored must own at least ~~25~~19% of the operating entity of your new Restaurant, or at least 15% of the operating entity of your new Restaurant and at

least 15% of the building and real estate for your new Restaurant and, as of the date of the new franchise agreement, be an existing General Manager or an employee who has performed the duties of a General Manager for at least one year at your existing Culver's® Restaurant(s) ("Key Manager"). The Key Manager with whom you enter the franchise must satisfy our then-current approval process for new franchisees and must complete a skills assessment and evaluation course and any other training we may require. A Key Manager may only participate under the Mentoring Program once as a mentor candidate. If you are opening your second or subsequent Restaurant under the Mentoring Program, the Key Manager would become the Operator for the new Restaurant. Under the Mentoring Program, we may waive your obligation to sign the Preliminary Agreement and will waive the Application Fee. Otherwise, the process of selecting a site and entering into a franchise agreement is the same as that described above. We reserve the absolute right to determine whether you may participate in the Mentoring Program and may deny participation for any reason.

One of the distinguishing features of the Culver's® franchise is that you have the right to terminate the Franchise Agreement at any time before attending your fifth week of the management training program (described in Item 11), provided you comply with the post-term obligations and sign a release. Should you decide to terminate the franchise relationship with us before the start of your fifth week of the management training program, you must provide us with written notice, and we will refund 75% of your initial franchise fee. In addition, if the Franchise Agreement terminates because you are unable to secure a site within 12 months after you sign the Franchise Agreement (meaning do not own the site or you have not signed a lease for the site, without contingencies which remain unsatisfied), we will refund 50% of the initial franchise fee (Franchise Agreement – Section 2(A)4.). Except as described in this Paragraph and above, the initial franchise fee (including deposits) is not refundable.

6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Service Fee	4% of Gross Sales (See Note 2)	Payable monthly on or before the 10th day of the next month via EFT.	
Advertising Fee	2% of Gross Sales through December 31, 2013 2.5% of Gross Sales beginning January 1, 2014	Payable monthly on or before the 10th day of the next month via EFT.	
Cooperative Advertising	Up to 4% of your Gross Sales, as approved by a majority vote of the members of the Co-op Advertising Region.	Established by Co-op	If we form a regional advertising co-op, you must contribute to the co-op. See Item 11.
Additional Training	\$1,000 per person	2 weeks before beginning of <u>additional</u> training	Additional training necessary after the completion of 16-week training program for you or your management.
E-Learning Program	Currently \$255 per quarter	Payable quarterly	You will pay us or a designated supplier the then-current quarterly access fee. (See Item 11)
Additional Assistance	\$500 per week	30 days after billing	This is for additional or special training or assistance you need or request. (See Item 11)
Site Review Fee	\$300 per site after four site reviews	As incurred	We will review up to four sites you select as potential sites for your

Type of Fee	Amount	Due Date	Remarks
			Restaurant at no charge. We may charge this site review fee for each additional site that we review.
Custom Design Fee	Up to \$5,000	At ground breaking	We will provide you with our standard prototypical building plans at no charge. In the event that you want to make changes to our standard prototypical building plans, and if we decide to consider those changes, we may charge you this custom design fee to compensate us for our time and expense.
Extraordinary Building Assistance Fee	Up to \$2030,000	At ground breaking	Our prototype plans are intended to convey our minimum standards to your architect. They are not intended to be bid documents or construction documents. This fee may be applied to compensate us for our time and expense if the project is bid and/or built without complete and proper building, HVAC, electrical, and plumbing plans prepared and sealed by a licensed design professional.
Building Conversion Fee	Up to \$5,000	Prior to design of second property	We will provide conceptual sketches for one conversion property at no charge. Sketches are intended to convey our minimum standards to your architect and are not intended to be bidding or construction documents. If we develop a suitable plan and you fail to purchase and develop your first property and choose to evaluate a second property for building conversion, this building conversion fee may be charged to compensate us for our time and expense.
Excessive Site Location Design Fee	\$500 per site location after four site locations	Prior to site layout on the 5th site location and each site location thereafter.	We will provide preliminary conceptual site designs for up to four site locations. We will also provide revisions as may be required by local ordinance or review or a revision required to arrive at the best solution. This fee may be charged if a design is requested for a fifth or subsequent site location.
Transfer Fee	\$10,000 plus our attorneys' fees \$5,000 plus our attorneys' fees if the buyer is an existing franchisee	Before completion of transfer	Payable when franchise agreement is transferred/assigned. In the past, under certain circumstances we have reduced or waived the transfer fees.
Renewal	\$30,000	Upon signing successor franchise agreement	

Type of Fee	Amount	Due Date	Remarks
Insurance	Will vary under certain circumstances	As incurred	Payable to us if you do not pay insurance and we pay it for you.
Audit	Cost of inspection or audit	30 days after billing	Payable if records indicate understatements in excess of 2%.
Interest	Lesser of 1.5% per month or highest contract rate of interest allowed by law	30 days after billing	Payable on all overdue amounts.
Management Fee	To be determined under circumstances	As agreed	Payable during period that our appointed manager manages the Restaurant upon your death or disability.
Gift Card Fees	\$.20 cents per redeemed transaction	Upon redemption of a Gift Card at your Restaurant	We reserve the right to increase the fee to \$.35 cents per redeemed transaction.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the franchise agreement.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your Restaurant's operations.
Testing	Cost of testing	30 days after billing	This covers the costs of testing new products or new suppliers you propose.
Relocation Expenses	Costs of relocation	30 days after billing	This covers the cost we incur if you want to relocate the Restaurant.
Technology Fee	Estimated \$200 per month	Payable monthly on or before the 10th day of the next month via EFT.	Although we do not charge a fee at this time, we reserve the right to charge you a monthly fee in connection with your use of our <u>extranet</u> <u>online support center</u> and other systems.

Notes:

1. All fees are imposed by and are payable to CFSI. All fees are non-refundable and, unless otherwise noted, are uniformly imposed.
2. "Gross Sales" means the total amount of all revenues you receive from the sale of goods and services, whether by cash, check, credit card or any other form of payment, in connection with the Restaurant or Culver's® Marks, including proceeds from business interruption insurance policies, and the sale of any promotional or premium items. Gross Sales will not include: (i) sales tax collected from customers and paid to appropriate tax authorities; (ii) the amount of refunds or allowances given to customers in good faith by you; and (iii) any amounts from coupon or discount programs that we approve for which you are not reimbursed. Gross Sales do not include the sale of gift cards. The amounts on gift cards are recognized when the gift cards are redeemed.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount - Est. Low Range	Amount - Est. High Range	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 2)	\$30,000 (See Note 2)	\$55,000	Lump Sum	On signing franchise agreement	Us
Land (See Note 3)	\$125 <u>150,000</u>	\$970 <u>1,200,000</u>	Varies	Varies	Third party
Building (See Note 4)	\$725,000	\$1,300 <u>400,000</u>	Varies	Varies	General Contractor
Travel, Living and Expenses during Training (See Note 5)	\$16,000 <u>800</u>	\$71,000 <u>74,500</u>	As Incurred	During Training	Employees, third party suppliers
Initial Inventory (See Note 6)	\$32,000	\$42,000	Lump Sum	Before opening	Approved third party suppliers
Furniture, Fixtures Equipment and Supplies (See Note 7)	\$445 <u>495,000</u>	\$525 <u>625,000</u>	Deposit upon signing agreement and lump sum payment on balance	Before opening	Approved third party suppliers
Miscellaneous Expenses (See Note 8)	\$19,000	\$35,000	As incurred	Before opening	Various third party suppliers
Additional Funds (working capital) - for 3 months (See Note 9)	\$47,000	\$89,000		First three months	Various third party suppliers
Totals (See Note 10)	\$1,439,000<u>514,800</u>	\$3,087,000<u>520,500</u>			

Notes

- (1) Except where otherwise noted, all fees that you pay to us are nonrefundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable.
- (2) The initial franchise fee generally is \$55,000. The initial franchise fee for certain existing franchisees who open an additional Restaurant is \$45,000. The initial franchise fee for certain existing franchisees that offer a 25% interest in their franchisee entity to an existing Key Manager is \$30,000. See Item 5 for the conditions when the existing franchisee may qualify for this reduced amount. In addition, see Item 5 for the conditions when the initial franchise fee is partially refundable.
- (3) The minimum amount stated will be less if you lease the land upon which your Restaurant sits. The cost of purchasing unimproved land will vary significantly depending on location, availability of utilities and other factors. Depending on the market conditions and other factors in your geographic area, your land costs may vary from the estimates provided in this Item 7. We estimate that the size of your land will range from 40,000 to 50,000 square feet.
- (4) We assume that you will acquire land and build the building for the Restaurant, which estimate is for the cost of developing the site and constructing a new building. The minimum amount stated will be

less if you lease the building for your Restaurant. The Restaurant premises are typically a free standing building. There is 1 building style that comes in 54 plan options: (1) The Metro M-4-2013 is ~~3,857 square feet~~; (2) The Metro M 2013 is 3,954 square feet; and (32) the Metro L 2013 is 4,207 square feet. Each of these plans may be mirrored. A mirrored plan will be 28 square feet larger than the base prototype plan from which it was developed. This estimate includes the expense of a new completely finished building, including carpentry, all interior finishes, mechanical, electrical, and plumbing. This estimate also includes fees for architectural and engineering services such as site planning, state approvals and other permits for building, heating and air conditioning, and plumbing, bid review, construction coordination, pay request review, and project closeout. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs, local taxes and development fees and the availability of financing. You may also buy an existing building to convert into a Culver's® Restaurant at a lower cost than new construction. As a result, you may experience construction costs that vary from the estimated amount provided in this Item 7.

- (5) You are responsible for making arrangements and paying the expenses for any persons attending the training program and for on-site training at your Restaurant before opening, including transportation and lodging. The amount you spend will depend, in part, on the distance you must travel, the type of accommodation you choose and the number of employees trained. The low estimate reflects training cost for an existing franchisee who is purchasing his/her second Restaurant and contemplates the training of 3 managers for 7 weeks each, 3 key employees for 20 hours each, and 45 crew members for 12 hours each. The high estimate contemplates the training of 2 shareholders of the franchisee for 16 weeks each, 5 managers for 7 weeks each, 3 key employees for 200 hours each, and 70 crew members for 17 hours each.
- (6) Initial inventory consists of various food products, beverages, paper products, cleaning supplies, and other supplies utilized in operating the Restaurant, as well as other merchandise or products sold in the Restaurant. The initial inventory expenditure will vary according to anticipated sales volume.
- (7) The estimate includes the cost to acquire all furniture, fixtures, equipment and supplies necessary to operate your Restaurant, including interior and exterior signs, Restaurant appliances (dishwasher, grill, oven, freezer, walk-in cooler/freezer, ice machine and other similar foodservice equipment), small wares, fountain beverage equipment, office equipment (including computer hardware and software), custard machine(s), point of sale system/cash registers, including the costs for installation, and uniforms, as well as sales tax and freight charges. Your investment in equipment and supplies necessary to operate the Restaurant is highly variable. Your exact investment depends on several factors, including the size and location of the proposed Restaurant, local labor costs, prices charged by suppliers, inflation, financing costs and similar factors beyond CFSI's or your control. All furniture, fixtures, equipment, signs and supplies for your Restaurant must meet our standards and specifications and comply with any local government regulations. See Item 11 for further information regarding the computer hardware equipment and software necessary for your Restaurant.
- (8) This amount estimates attorneys' fees, accounting fees, business licenses, restaurant association and local chamber of commerce member fees, utility deposits, and costs associated with your Restaurant's "Open House."
- (9) This amount of working capital is projected as sufficient to cover initial operating expenses for a period of 3 months, as further explained in this note. These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Additional working capital may be required if sales are low or operating costs are high. Expenses not included are hourly labor and benefits costs, food and product costs and rent. Your costs will depend on factors such as: how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period. You should not plan to

draw income from Restaurant operations during the start-up and development stage of your business, the actual duration of which will vary materially from restaurant to restaurant and we cannot predict this period for your Restaurant.

- (10) These are the totals of the lowest costs for each item and the highest cost for each item. No one project in ~~2012~~2013 had all of the lowest costs or all of the highest costs listed. Furthermore, this is the total estimate of your pre-opening initial investment and the expenses you will incur in the first three months of Restaurant operations. We require that you have 20% of your total projected initial investment in cash or liquid assets. We have used CFSI's (including its predecessor and affiliates) more than 20 years of experience in the business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

You may lease the premises for your Restaurant and certain pieces of equipment. If you lease the premises for your Restaurant or equipment, your total initial investment may be lower.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to insure a uniform image and uniform quality of products and services throughout the System, you must maintain and comply with our quality standards. We specify certain fixtures, equipment, supplies and other items that you must have before opening, and must maintain for as long as you own your franchise. You must obtain all fixtures, equipment, supplies, and other materials required to operate your Restaurant from us, or from suppliers that we designate or approve. In addition to meeting our design standards and specifications, it is your responsibility to insure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws and codes.

We will provide you with various bulletins, notices and order guides that will contain the specifications, standards and restrictions for your purchase of products and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, we anticipate that we will formulate and modify our standards and specifications as we consider appropriate and useful, and notify you through articles, newsletters, or other bulletins (Franchise Agreement – Section 9(B) and 10(F)). Periodically, an affiliate or a third party supplier may be the approved supplier for certain products. For example, at the time of this disclosure document, there is only one approved supplier for the gift cards and you must sign a participation agreement. A copy of the participation agreement is attached to the Franchise Agreement as Exhibit E.

If you wish to obtain any items from suppliers other than us or a supplier we designate, you must notify us in writing before any conversations you have with the supplier, in order to insure the product or service meets our specifications. You must identify the proposed supplier, its name and address, and the items you desire to purchase from that supplier. You must obtain our approval before using or obtaining any alternative suppliers. Except for our proprietary items, we will furnish product specifications to you at your request. To obtain our approval, the supplier must agree in writing to: (i) not disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, (ii) sell any materials bearing our Marks only to our franchisees, (iii) demonstrate to our reasonable satisfaction that it can supply commodities meeting our specifications on a continuing basis, (iv) produce the service or product for our approval, and (v) remain in good standing in the business community respecting its financial soundness and the reliability of its product and service. Unless we otherwise notify you in writing within 90 days after we receive written notification and all other information which we request to evaluate a proposed supplier, a supplier is deemed approved by us until we may later withdraw approval. We will

disapprove or withdraw our approval of any supplier by written notice to you. You will reimburse us for all product-testing costs we pay to third parties in determining whether to approve a supplier that you select.

Currently, SYSCO Food Services, Inc. ("SYSCO"), Gordon Food Service, Inc. ("GFS"), and The Boelter Companies, Inc. are our approved distributors for various products from many suppliers. These products currently include ~~small wares, dairy, produce, frozen, refrigerated~~ and dry food, paper products, chemical and cleaning/janitorial supplies and ~~produce~~ small wares. You will work directly with SYSCO and GFS customer service representatives to order products through the approved order guide or electronically. Items not listed in the approved order guide cannot be purchased without approval from us.

We currently participate in a nationwide marketing programs sponsored by Pepsi-Cola Company ("PepsiCo") and by Dr Pepper/Seven Up, Inc. ("Dr Pepper"). You must participate in the programs and purchase only Pepsi® and Dr Pepper® soft drink syrup products for use at your Restaurant, unless we otherwise direct regarding a particular beverage. For instance, we require that you serve Culver's Root Beer® and Culver's Diet Root Beer in your Restaurant. You may purchase Pepsi® and Dr Pepper® products from any PepsiCo and Dr Pepper® distributor, respectively, authorized by us. PepsiCo and Dr Pepper currently pay us amounts based upon purchases by each franchisee, which we apply toward marketing of the ~~Restaurants~~ Restaurants, and PepsiCo and Dr Pepper also contribute to our Advertising Fund to develop and implement marketing and promotional activities designed to benefit the entire System, and to increase the sale of Pepsi® and Dr Pepper® products at all Restaurants. PepsiCo and Dr Pepper also provide volume rebates to franchisees, and PepsiCo provides franchisees with cash allowances to assist them in purchasing Restaurant equipment needed to commence operations. PepsiCo and Dr Pepper® provide volume rebates to franchisees to assist them in service and equipment costs related to beverage equipment, and PepsiCo makes available favorable financing terms for Restaurant beverage equipment.

Other items that you must purchase from our approved suppliers include uniforms, signage, gift cards, cash register systems (the "POS System"), and advertising point-of-purchase ("POP") kits.

We periodically negotiate programs with certain vendors so that our franchisees may receive preferred pricing, delivery, credit or other terms. To participate in these programs, we or our preferred vendors may require that you sign a preferred vendor agreement. You are not required to purchase goods or services from preferred vendors.

We estimate that approximately 75% to 95% of your expenditures for leases and purchases in establishing your Restaurant will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our specifications). We estimate that approximately 50% to 70% of your expenses for leases and purchases in operating your Restaurant will be for goods and services that are subject to sourcing restrictions.

We negotiate pricing with suppliers to give franchisees more competitive prices. We currently are not aware of any purchasing or distribution cooperatives in the System that offer products used in your Restaurant.

Some of our officers own an interest in us, and one of our officers owns an interest in SYSCO Corporation. No officers own a material interest in any other supplier. ~~We also own an interest in Kraft Foods, Inc.~~

Advertising

You can use only advertising material for local advertising that we have approved. See Item 11.

Computer Equipment & Telephone Lines

You must purchase and maintain the POS System to record gross sales and transaction data (such as item ordered, price, and date of sale). See Item 11.

You must install and maintain at least ~~3~~² telephone lines. ~~Two lines~~^{One line} will be dedicated to your business telephone and 1 line will be a shared line used for your telephone and facsimile machine ~~and your modem~~.

Insurance

You must purchase and maintain, at your expense, insurance in the type and amount we periodically require as communicated to you in writing. At this time, we require business liability insurance, including products and completed operations, with limits of at least \$1,000,000 per person and \$1,000,000 per occurrence. This insurance must list us and any other person we designate as additional insureds. You must purchase business interruption (which we suggest address adequate food borne illness coverage), building coverage, business personal property, worker’s compensation, employee benefits liability, and an umbrella insurance policy, with a required minimum limit of \$1,000,000 and a suggested minimum of \$5,000,000. We also suggest that you review your needs for other coverage such as employment practices liability, commercial auto, signs, tenant’s liability and other types of insurance ~~as noted in the Operations Manual~~. In addition, you must obtain any other insurance as may be required under law.

Payments from Franchisees’ Purchase of Goods and Services

We reserve the right to receive rebates or other payments and consideration from suppliers, based (directly or indirectly) on sales to franchisees and company-owned Restaurants, and from other service providers. These payments have ranged or may range from less than 1% up to ~~23~~²⁰% or more of the amount of those purchases by franchisees. We do not provide material benefits to franchisees based on their purchase of particular products or services, or use of approved suppliers.

During our fiscal year ended December 31, ~~2012~~²⁰¹³, we recognized rebate revenues of ~~\$4,137,744~~^{\$4,103,104} from the sale of products and other items subject to our standards and specifications, or ~~5.86~~^{5.86}% of our total revenues (~~\$71,235,077~~^{\$75,725,666}), as stated in our Consolidated Statements of Income and Comprehensive Income for the year ended December 31, ~~2012~~²⁰¹³. In addition, during our fiscal year ended December 31, ~~2012~~²⁰¹³, we received additional rebates from the sale of products and other items subject to our standards and specifications that were deposited directly into the Advertising Fund and were not recognized as revenue on our financial statements.

9. FRANCHISE OWNER’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 Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 2(A) and 5 of Franchise Agreement	Item 11
b.	Pre-opening purchases/lease	Sections 2(A) and 10(F), (Q) and (R) of Franchise Agreement	Items 5, 7, and 8
c.	Site development and other pre-opening requirements	Sections 2(A), 5 and 10(B) of Franchise Agreement; and Section 4 of Site Selection Agreement	Items 5, 7, and 11
d.	Initial and ongoing training	Sections 9 (C), (D) and (F) and 10(M) of Franchise Agreement	Items 7 and 11
e.	Opening	Sections 10(C) and 17(A)(1) of Franchise Agreement	Item 11
f.	Fees	Sections 2(A), 3(B)(4), 6, 7, 8, 9(F), 10(C) and 16(D) of Franchise Agreement	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operations Manual	Section 10 of Franchise Agreement	Items 11 and 16

	Obligation	Section in Agreement	Disclosure Document Item
h.	Trademarks and proprietary information	Sections 4 and 11 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 1(B), 2(B), 2(C) and 10(E), (F) and (R) of Franchise Agreement	Items 8, 11 and 16
j.	Warranty and customer service requirements	Section 10(M) of Franchise Agreement	None
k.	Territorial development and sales quotas	Section 2 of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Sections 8(D) and 10(F) of Franchise Agreement	Items 8 and 11
m.	Maintenance, appearance, and remodeling requirements	Sections 3(B)(3) and 10(B) and (G) of Franchise Agreement	Item 11
n.	Insurance	Section 12 of Franchise Agreement	Item 8
o.	Advertising	Section 8 of Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 13(A) of Franchise Agreement	Item 6
q.	Owner's participation/management/staffing	Sections 8(C) and 10(A) and (M) of Franchise Agreement	Items 11 and 15
r.	Records/reports	Sections 14(A), (B) and (C) of Franchise Agreement	Item 6
s.	Inspections/audits	Section 14(D) of Franchise Agreement	Item 6
t.	Transfer	Sections 15 and 16 of Franchise Agreement	Items 6 and 17
u.	Renewal	Section 3(B) of Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Section 19 of Franchise Agreement	Item 17
w.	Non-competition covenants	Section 20 of Franchise Agreement	Item 17
x.	Dispute resolution	Sections 20(D) and 21 of Franchise Agreement	Item 17

10. FINANCING

We do not offer direct or indirect financing. We do not receive payments or other consideration for the placing of financing or guarantee any note, lease or other obligation you may enter into or incur.

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

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

Pre-Opening Obligations. We have the following obligations to you before you open your Restaurant:

1. We will conduct an initial training program as described below (Franchise Agreement – Section 9(C)).
2. We will provide you an electronic version of the confidential Operations Manual to use during the term of the Franchise Agreement. The Operations Manual contains our required and suggested operational procedures, policies, rules and regulations with which you must comply (Franchise Agreement – Section 9(E)). We will not provide you access to the Operations Manual until the Operator begins Orientation (see below for more information).

3. We will review with you our site selection criteria for a Restaurant location. This includes general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You are responsible for selecting the site of your Restaurant. We will review and either approve or disapprove the proposed location for the Restaurant (Franchise Agreement – Section 2(A)). Any assistance we offer is not a guarantee or assurance that the site will be successful.
4. If you plan a new Restaurant, we will furnish one electronic copy of building plans and details to you and your architect. If you are renovating an existing building for your Restaurant, we will provide you and your architect with design assistance (Franchise Agreement – Section 9(B)).

Post-Opening Obligations. We have the following obligations to you during the operation of your business:

1. Provide field consultants who conduct periodic evaluations of the Restaurant and provide to you written reports to assist you in Restaurant operations (Franchise Agreement – Section 9(G)).
2. Provide advisory services in person or by telephone relating to Restaurant operations (Franchise Agreement – Section 9(G)).
3. Periodically make available all changes and additions to the Business System generally made available to all franchisees (Franchise Agreement – Section 9(G)).
4. Furnish you electronic access to our confidential Operations Manual (Franchise Agreement – Section 9(G)).
5. Develop national advertising production materials (Franchise Agreement – Section 9(G)).

Advertising Fund

We administer an Advertising Fund to promote and enhance the image, identity, and/or patronage of Restaurants owned by us and by franchisees. You must pay us an “Advertising Fee” as described in Item 6. We will deposit the Advertising Fee in an “Advertising Fund” that we manage through a separate account. All franchisees ~~currently who signed their franchise agreement prior to March 31, 2012,~~ contribute to the Advertising Fund at ~~the same~~ rate, ~~however,~~ of 2% of Gross Sales, while all franchisees who sign a franchise agreement on or after March 31, 2012, will ~~incur an increase in their contribute to the Advertising Fee Fund at a rate of 2½% of Gross Sales,~~ as described in Item 6 ~~while those franchisees who signed a franchise agreement before that date will not.~~ We will use all Advertising Fees to conduct advertising research, develop marketing materials as well as television, radio, print and digital advertising production and promotional materials for use in each franchisee’s local market, and implement regional and national advertising and promotional campaigns. If your Restaurant is in a market with relatively few other Culver’s® Restaurants, you likely will receive less advertising support than Restaurants in more saturated markets. We currently contract with outside advertising agencies to produce certain advertising production and promotional materials and to conduct media buying. We are reimbursed for reasonable administrative costs and overhead incurred in administering the Advertising Fund for the preceding year.

At your request, we will furnish to you an annual unaudited report of the receipts and disbursements of the Advertising Fund for the previous fiscal year ended (Franchise Agreement – Section 8(A)).

We have the right to determine all matters relating to advertising, public relations and promotional campaigns and we are not required to allocate or expend Advertising Fee contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis. (Franchise Agreement – Section 8(A)). If not all Advertising Fees are spent in the fiscal year in which they accrue, the remaining amount will be carried over to the following year.

During the fiscal year ending December 31, ~~2012, 81.72~~2013, 86.39% was spent on media placement, ~~13.26, 35%~~ was spent on production of advertising, ~~3.92, 90%~~ was spent on agency fees, ~~1.0, 91%~~ was spent on

administrative expenses, and ~~0.32.51~~0.32.51% was spent on miscellaneous expenses. No money was spent by the Advertising Fund to solicit new franchisees in ~~2012~~2013, and we do not anticipate spending any money from the Advertising Fund to solicit new franchisees in ~~2013~~2014.

Local Advertising

You must spend a minimum of 1% of your Gross Sales on local advertising. (Franchise Agreement – Section 8(C)). You must receive written approval from us before you may use any advertising material as specified in the Operations Manual (Franchise Agreement – Section 8(E)).

Advisory Council

At the time of this disclosure document, a franchisee advisory council of elected members assists us in maintaining effective communications with our franchisees, and advises us on business and operations decisions and policies. Currently, there is one member from each representative territory. In any given year, we may designate one or more Member At Large. The advisory council serves in an advisory capacity only. We have the power to form, change or dissolve the advisory council.

Cooperative Advertising

As of the date of this disclosure document, we have not established any local or regional advertising cooperatives (“Co-op”). If we do so in the future, you must participate in any Co-op program for the region in which your Restaurant is located. If a Co-op program is established it is anticipated that it would be administered by us or our advertising agency of record, and you must contribute to the Co-op up to 4% of your Gross Sales, as determined by the members of the Co-op, a portion of which would be used to cover administrative expenses (Franchise Agreement – Section 8(B)). Cooperative Advertising is in addition to the Advertising Fee and local advertising requirements. All franchised or company-owned Restaurants participating in a Co-op in a particular region will contribute at the same rate. We have the right to change, dissolve, or merge Co-ops. All Co-ops will operate from written documents which will be available for all Co-op members to review. All Co-ops will prepare an annual unaudited statement of receipts and disbursements for Co-op members to review.

Promotional Campaigns

We may periodically conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns we establish for the region in which your Restaurant is located. You must also purchase the point of purchase material that coincides with each campaign. This point of purchase kit normally includes indoor and outdoor transparencies, menu board updates, employee pin, posters for your employees, packaging changes and other miscellaneous items (Franchise Agreement – Section 8(F)).

Time Before Opening

We estimate that there may be as little as 4 but no later than 24 months between the signing of the Franchise Agreement and the opening of the Restaurant. The interval may vary based upon such factors as the location and condition of the site, the construction schedule for the Restaurant, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations. If you fail to begin operations within 12 months after you secure a site (meaning you either own the site or you have signed a lease for the site, without contingencies which remain unsatisfied), we may terminate the Franchise Agreement at any time before you open for business.

Site Selection

Individual Franchise Agreement

If you already have a potential site for a Culver’s® Restaurant, you may propose the location to us. We may approve the site after we have independently reviewed it. If you do not have a proposed site, you may sign the Franchise Agreement under which you agree to locate a proposed site for your Restaurant and we agree to provide you certain assistance in locating the site (Franchise Agreement – Section 2(A)). We will consult with you in the selection of a site for your Restaurant and will, at no charge to you, review the criteria

for up to 4 sites selected by you as potential sites for your Restaurant. We may charge \$300 for each additional site you request us to review (Franchise Agreement – Section 2(A)). You are solely responsible, however, for locating and obtaining a site which meets our standards and that is acceptable to us. You also are responsible for determining that the proposed site meets all zoning and other applicable government requirements, and that you have obtained all required government permits. You must secure a site (meaning you either own the site or you have signed a lease for the site, without contingencies which remain unsatisfied) within 12 months after you sign the Franchise Agreement. If you do not do so, then we may terminate the Franchise Agreement at any time before you secure a site.

We will not unreasonably withhold consent to the proposed site for your Restaurant. We will respond to your request for approval of a proposed site for your Restaurant within 60 days after we have received all information requested to evaluate the proposed site. If you and CFSI cannot agree on a site for your Restaurant, we will either allow you to suggest alternative sites in the designated area or we will terminate the Franchise Agreement. The general site selection evaluation criteria that you should consider include traffic patterns, parking, layout of the facility, population of the surrounding area, size and rental/purchase costs of property and similar factors. Our evaluation or review of a site for the Restaurant does not represent a recommendation or guarantee as to the success of the site.

You may not open the Restaurant for business until: (1) we confirm that the Restaurant meets our specifications; (2) pre-opening requirements and training has been completed to our satisfaction; (3) you have adequate staffing to open your Restaurant; (4) yourself, your management team, and key personnel, in a number sufficient to cover all operating hours, but no less than five in total, have passed a food safety course taught by us at our office or certified in your specific state's sanitation program (or the applicable national sanitation program if no state one exists); and (5) you have complied with all other requirements described in the Operations Manual or otherwise provided in writing by us (Franchise Agreement – Section 10(C)).

You must open the Restaurant for business within 12 months after securing an approved site (meaning you either own the site or you have signed a lease for the site, without contingencies which remain unsatisfied) and 7 days after we notify you that the Restaurant is ready to open (Franchise Agreement – Sections 10(C) and 17(A)(1)).

Computer Systems

You must install a computer system (“Computer System”) meeting our standards, as periodically modified in response to business operations, marketing conditions, competitive circumstances and changes in technology. As of February 1, ~~2013~~2014, the Computer System includes the following:

- (1) You must purchase and maintain the POS System. Our approved POS System is a Radiant point of sale system with the most current hardware. We recommend that you purchase this POS System from our approved supplier or you may incur additional costs. The POS System must integrate with the back office system described below.
- (2) You must obtain a license to use the Red Prairie back office software and maintain the software and data hosting service on a monthly basis. There are no substitutes for this system.
- (3) You must obtain the software required on your computer, including: (i) ~~Microsoft Windows XP Professional, Vista Business, Windows 7 Professional~~ or Windows ~~7~~8 Professional operating system which runs your computer; (ii) Microsoft Office 2007 professional or newer for creating and viewing documents and reports; (iii) Microsoft Internet Explorer version 7.0 or ~~8.0~~newer to access the Red Prairie Back Office System, and (iv) Adobe Acrobat Reader for viewing documents and reports.
- (4) In addition, you must obtain a broadband/high speed Internet service from an Internet service provider, and an e-mail address for the Restaurant to communicate with customers, third-party suppliers and us. You currently may use any broadband/high speed Internet service provider, although we reserve the right to require a specific provider in the future.

The cost for purchasing or leasing the computer system ranges from \$45,000 to \$50,000. In addition, you will incur a monthly service fee which is currently \$206.75, payable to our approved supplier. This fee covers the cost of system updates and support. We cannot estimate the annual cost of any additional optional or required maintenance and support contracts from us because we have, through the date of this disclosure document, provided these services at no cost to franchisees. In the future, we may charge you a monthly technology fee. See Item 6. We currently have independent access to certain operational and financial information and data produced by your Computer System. There are no contractual limitations on our right to access the information and data (Franchise Agreement - Section 10(R)).

You must comply with the “Payment Card Industry Data Security Standard” (“PCI DSS”). You must validate your compliance by completing a self-assessment questionnaire (“SAQ”) yearly and subject your network to quarterly vulnerability scans. We require that you purchase these services from a Qualified Scan Vendor (“QSV”). We estimate that the cost for purchasing these services will be approximately \$150 per year, although the estimated amount may increase in the future. In addition, we require you to purchase security services through an approved Managed Security Services Provider (“MSSP”). We estimate that you will incur costs of approximately \$100 per month payable to our approved MSSP, although the estimated amount may increase in the future. A MSSP may include both security services and compliance validation services, in which case a separate QSV is not necessary.

Training

Before opening your Restaurant, your management team at your Restaurant, which in addition to you will typically include 5 individuals, must have attended and completed an approved Culver’s® Manager in Training Program to our satisfaction. All managers must be certified in your state’s sanitation program, the ServSafe equivalent, or, if no state requirement exists, in the national sanitation program. Each Restaurant must have a minimum of one management team member working each shift who is certified in the appropriate sanitation program, as described above. In addition, the Operator (as defined in Item 15) must complete our full-time, 16-week Management Training Program to our satisfaction, at one of our designated company-owned Restaurants. The 16-week training program is offered in three 16-week sessions each year. These programs are prescheduled and do have maximum capacities. We must approve your designated representative and management personnel in writing before participating (Franchise Agreement – Sections 9(C) and (D) and 10(A) and (M)).

You will have limited access to the System until you sign a Franchise Agreement and the Operator begins the 16-week management training program.

There is no charge for the 16-week management training program we provide, although you are responsible for all travel and living expense during this period.

You and your managing shareholder or partner and/or managers must attend or participate in any periodic reconnection training courses or programs that we designate. You may have to pay us for additional training requested and/or necessary for new (or existing managers) hired after the Restaurant opens (Franchise Agreement – Section 9(F)).

In the event that you want to renew your Franchise Agreement, and we deem it necessary, you, the Operator of the Restaurant, and/or your supervising manager or any other Restaurant manager, may be required to attend and successfully complete, a reconnection or new training course(s) or program(s), conducted by us or our designee, and we may charge a fee for such training courses and programs, and you are responsible for all transportation costs, food, lodging and similar costs you and your employees incur in attending such course(s) or program(s), and we have the right to determine the time and place of any such training course(s) or program(s) (Franchise Agreement – Section 3(B)(3)).

Jeff Bonner and George Kelsey oversee our training programs. Mr. Bonner has been with us since 1999 and has held several positions in operations, including Franchise Business Partner and Regional Director of Operations. Mr. Bonner currently is the Vice President of Operations and Training. Mr. Kelsey has been with us since 2006, beginning as a Franchise Business Partner. In 2010, Mr. Kelsey was promoted to the

Director of Training. Our training staff consists of 89 persons, who have at least 105115 years combined experience with us in various operational capacities.

Instructional materials include our Operations Manual and related workbooks. Approximate hours that an ~~operator~~Operator spends in classroom training and on-the-job training are listed below.

TRAINING PROGRAM NEW MANAGER TRAINING

Subject	Hours of Classroom Training	Hours of "On-The-Job" Training	Location
Orientation	Not included in 67-week schedule. To be performed before training.		
Product Orientation	0	4	At a Restaurant we designate
Food Safety/Sanitation Procedures	0	4	At a Restaurant we designate
Back of House/Cooking Skills	0	120	At a Restaurant we designate
Front of House	0	110	At a Restaurant we designate
Supervision/Administration	0	30	At a Restaurant we designate
E-Learning Courses	12	0	At a computer
TOTAL HOURS	12	268	

TRAINING PROGRAM 16-WEEK TRAINING

Subject	Hours of Classroom Training	Hours of "On-The-Job" Training	Location
Orientation	9	2	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Guest Relations	4	Ongoing during the other training sessions	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Product Orientation	8	20	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Safety/Procedure Sanitation	19	14	Prairie du Sac, Wisconsin, or at a Restaurant we designate
CPR and First Aid	8	0	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Back of House/Cooking Skills	0	180	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Front of House	0	160	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Supervision/Administration	74	170	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Advertising/Marketing/Media	6	4	Prairie du Sac, Wisconsin, or at a Restaurant we designate
Architectural Design	0	0	Prairie du Sac, Wisconsin, or at a Restaurant we designate
E-Learning and ServU Courses	17	0	
TOTAL HOURS	145	550	

In addition to the training courses and programs we provide, you must participate in an electronic training program accessible via the Internet that we develop or select for the System, including all future updates, supplements or modifications ("E-Learning Program"). You must pay us or a designated supplier a monthly access fee for the E-Learning Program (see Item 6) and sign a user agreement. You must own or

purchase a PC (not an Apple) computer configured to our recommended standards to use in connection with the E-Learning Program.

Operations Manual

~~We~~ Upon signing your Franchise Agreement we will provide you with access to our confidential Operations Manual. The current Operations Manual, as of December 31, ~~2012~~2013, is divided into the following subjects:

OPERATIONS TRAINING MANUAL	Number of Pages
The Culver's® History, Values and Beliefs	1
Guest Service and Hospitality	17
Opening and Closing Procedures/Checklists and Forms	39 42
Food Safety Procedures	12 13
Seasonal and Optional Items	40 35
Food Preparation	28 30
Desserts	33
Kitchen Procedure Guides	17 16
Fryer Items and Dinners	23 24
ButterBurgers and Sandwiches	32
Salads	6
Today's Daily Features	23
TOTAL	271272

PLANNING AHEAD	Number of Pages
Communication Directory	12
Countdown to Success	21
Training Preparation	6
Choosing an Architect, Insurance, Etc.	7
Equipment Specifications	10
Order Information	21
TOTAL	77
RISK MANAGEMENT MANUAL	
Risk Management	12
Emergencies	52
Food Safety	24
Team Safety	13
Chemical and Equipment Safety	28
Public Communication	22
Forms	28
TOTAL	179

12. TERRITORY

Individual Franchise Agreement

Under the Franchise Agreement, you may only operate your Restaurant at a specific location. If at the time that you sign your Franchise Agreement the population within a 2 mile radius of the location of your Restaurant is less than 40,000 people, you will receive a "Designated Territory" that will be a 3 mile radius around the location of your Restaurant, which area may be smaller if such area contains a natural barrier (e.g. a river). If at the time that you sign your Franchise Agreement the population within a 2 mile radius of the

location of your Restaurant is 40,000 people or greater, or if you propose a location which is not a free standing site, and/or does not have a drive thru, and/or does not have its own dedicated parking lot, you will receive a Designated Territory of a 3 mile radius or less around the location of your Restaurant. Within a major metropolitan statistical area, if you locate your Restaurant in a high traffic, high density area in which we determine Culver's® Restaurants may be established in close proximity to one another, we reserve the right to indicate your Designated Territory in a manner other than a radius description. In this instance, a written description or a map attached to the Franchise Agreement will describe the Designated Territory. We will determine the size of your Designated Territory at least 7 business days after you secure an approved site. The criteria used for determining the boundaries of the Designated Territory include the population base, the population density, growth trends of population, degree of affluence of the population, the density of residential and business entities and major topographical features which clearly define contiguous areas, like rivers, mountains and major freeways. We will not operate or grant franchises to others to operate a full-service Culver's® Restaurant in your Designated Territory. Although we will not operate or franchise another to operate a Culver's® Restaurant in your Designated Territory, your Designated Territory may overlap with the designated territory of another franchisee.

Although we currently do not do so, we reserve the right to distribute products and services through alternative channels of distribution using the Culver's® Mark. We also reserve the right to establish franchised or company-owned Culver's® Restaurants anywhere outside your Designated Territory or distribute (directly or through our affiliates) products and services through alternative channels of distribution selling similar or other products or services under a trademark different from the Culver's® Mark. We have established, through a separate entity (Blue Spoon Management, LLC or "BSM"), a delicatessen restaurant concept under the mark Blue Spoon® Café. This concept serves premium coffee, bakery, deli sandwiches, hamburgers, soups, salads and gelato in an early 20th century coffee shop and deli format. Although the Blue Spoon® Café does not currently offer products using the Culver's® Mark, the Blue Spoon® Café may offer products using the Culver's® Mark in the future. BSM may directly own or operate certain Blue Spoon® Café units. BSM and any future franchisees may solicit customers or accept orders for products offered at Blue Spoon® Café units within your Designated Territory, provided they do so under the Blue Spoon® Café concept. BSM developed and commenced operating the Blue Spoon® Café in March 2000. Because BSM (not us) will separately operate the Blue Spoon® Café system, BSM will separately address any conflicts with its franchisees regarding territory, customers or franchisor support. Likewise, we will address, to the extent required under the Franchise Agreement, any conflicts between Culver's® franchisees and us regarding territory, customers or franchisor support.

Furthermore, we and our affiliates may establish, operate or grant a franchise or license to others to operate Culver's® Restaurants under the System and the Marks at any "Non-Traditional Location," as defined below, within and outside your Designated Territory at any time. "Non-Traditional Locations" are defined as locations that we determine have a restricted trade area and include, for example, locations in malls, universities, schools, hospitals, military bases, casinos, convention centers, arenas, stadiums, airports, health and fitness facilities, office buildings, theme parks, amusement facilities, toll plazas [and other locations that are not located on the street and the primary trade area generally is restricted to the environment in which the Non-Traditional Location is located]. Except for the rights granted to you under the Franchise Agreement, we reserve for ourselves and our affiliates, the right to develop, own, operate and manage food service businesses, including businesses (i) using the Marks and business systems, and (ii) using other brands and systems, whether or not in competition with your Restaurant, at locations that we or our affiliates determine, and without any obligation to grant any rights to you respecting any of them.

You do not need to achieve a certain sales volume or market penetration to retain the Designated Territory under the Franchise Agreement. You may relocate the Restaurant only with our written consent, which we will not unreasonably withhold.

You may advertise outside your Designated Territory and may serve customers residing outside your Designated Territory. Likewise, CFSI and our Culver's® franchisees may advertise in your Designated Territory and may serve customers who reside in your Designated Territory without compensation to you.

You may, only with our advance written consent and only under our written guidelines, sell certain Culver's® menu items from authorized locations other than your Restaurant within the Designated Territory. We may, on 10 days' written notice, terminate your right to conduct these sales at any time.

Although we have no obligation to do so, we may attempt to notify you if a prospective, new or existing franchisee is planning to locate ~~within 5 miles~~ outside of but near your Designated Territory. This does not confer a right for you to restrict such franchisee from such location, nor a right of first refusal to you. You do not receive any rights of first refusal nor any right to acquire additional franchises within or outside of your Designated Territory unless you sign another franchise agreement with us.

Except as described above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive franchise that we control.

13. TRADEMARKS

Our affiliate, Culver Enterprises, Inc., is the owner and has received registration and intends to file all required affidavits and renewal registrations of the following principal Marks in the U.S. Patent and Trademark Office:

Registration No.	Description of Mark	Registration Type	Registration Date
1,841,058	CULVER'S	Principal	June 21, 1994
1,841,059	CULVER'S FROZEN CUSTARD BUTTERBURGERS & DESIGN	Principal	June 21, 1994
2,653,686	BUTTERBURGER	Principal	November 26, 2002
3,128,098	CULVER'S & DESIGN	Principal	August 8, 2006
3,323,569	CULVER'S & DESIGN	Principal	October 30, 2007
3,323,105	CULVER'S BUTTERBURGERS & FROZEN CUSTARD & DESIGN	Principal	October 30, 2007
4,163,962	WELCOME TO DELICIOUS	Principal	June 26, 2012

You will receive a license to operate the Restaurant under the name "Culver's," and may license you to use other trademarks, service marks, trade names and commercial symbols (collectively, the "Marks"), which we develop.

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You retain no rights in the Marks when the Franchise Agreement expires. You may make changes or substitutions to the use of the Marks only if we direct you to do so.

There are presently no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any trademark administrator of any state or any court proceedings, which limit or restrict our right to use the Marks which are relevant to your use of the Marks for your Restaurant. Culver Enterprises, Inc. ("CEI") has granted us the license and right throughout the entire world to use the Marks to sell, own and franchise businesses. The "License Agreement" has a term of 10 years and is renewable for successive 10-year terms for as long as we conduct business under the terms of the License Agreement. CEI may terminate the License Agreement if we violate the License Agreement and do not cure any such violation after notice from CEI or we are dissolved, declared bankrupt, or are liquidated. There currently are no other agreements in effect that significantly limit our rights to use or license the use of any

Marks listed in this Item 13 in any manner material to the franchise. We are not aware of any infringing uses, which might materially affect your use of the Marks licensed to you.

We are not required to protect you against infringement or unfair competition claims arising from your use of the Marks, or to participate in your defense or defend you. We reserve the right to control any trademark litigation and will take the action we believe appropriate if a third party infringes our Marks. You must promptly notify us if you learn of any claim, suit or demand against you by a third party for any alleged infringement, unfair competition or similar matter due to your use of the Marks.

If any party claims that its right to use any of the Marks are superior and we confirm that claim, you must, at your expense, immediately make the changes and use the substitutions to the Marks as we require.

14. PATENTS AND COPYRIGHTS

There are no patents or copyrights material to the franchise, although we do claim copyright ownership and protection for this disclosure document, our Franchise Agreement, web site, Operations Manual and for various sales promotional and other materials published from time to time. You must follow our specifications and policies as described in the Operations Manual or otherwise communicated to you. You must treat as confidential the information contained in the Operations Manual and any other manuals or supplemental material supplied by us. The Operations Manual are our property and you may not duplicate, copy, disclose or disseminate the contents of the Operations Manual at any time, without our prior written consent. We have the right to modify or supplement the Operations Manual upon notice or delivery to you. You must keep the Operations Manual current at all times, and upon the termination or non-renewal of your franchise return the Operations Manual to us.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. You cannot disclose any information made available to you to any person other than your employees or financial advisors who reasonably need access to such information to fulfill their employment or contractual responsibilities. All employees to whom the information, or any of it, is made available must be informed of this obligation of confidence.

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

If you are an individual, you must be the full-time on-site owner-operator and personally manage the Restaurant unless you receive our prior consent to delegate your authority to do so. If you operate more than one Restaurant, you may delegate certain management duties for additional Restaurants to one or more managers that we approve. If you are a corporate entity or a partnership, one individual (the "Operator") must retain at least 50% of the equity and voting interest in the corporate entity or partnership and will be obligated to be the full-time on-site Operator who personally manage and operate manages the Restaurant. In the alternative, one individual Operator may retain at least 25% of the equity and voting interest in the corporate entity or partnership, so long as that individual also has at least 25% ownership in the building and real estate, and he or she must be the full-time on-site Operator and personally manage the Restaurant. If you are a corporate entity or a partnership, you must indicate the ownership structure and identify the ownership interests on the Certification of Business Entity, attached to this disclosure document as Exhibit H.

You (and/or your managing partner or shareholder) as the "Operator" and your approved manager(s) of the Restaurant must attend and complete our training program to our sole satisfaction. The Operator must successfully complete our 16-week management training program and state certified approved sanitation program, the ServSafe equivalent, or, if no state requirement exists, in the national sanitation program. The identity of the Operator must be disclosed to us and the Operator, along with his or her spouse, must sign the "Guaranty" described below. We will not sign a Franchise Agreement for you to operate a second restaurant unless you have completed our Restaurant Operator training workshop.

If you are a corporation, partnership, or limited liability company, each shareholder, partner or member, ~~collectively with your spouse~~, owning a 10% or greater interest in the franchisee entity, along with his or her spouse, must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. A copy of this “Guaranty” is included as an exhibit to the Franchise Agreement attached to this disclosure document.

16. RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must offer and sell all, and only, those goods and services that we have approved (See Item 8). There are no limits on our right to change the types of authorized goods and services. We have the right to add, delete, and change menu items that you may or must offer, and this may require you to purchase additional equipment. Except for off-site sales that we specifically agree to in writing, you may serve customers only from the Restaurant you have been authorized to operate.

You cannot install or maintain on the Restaurant premises any newspaper racks, video games, juke boxes, gum machines, games, rides, vending machines, ATM machines, telephone booths or other similar devices without our written approval.

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 or other Agreement	Summary
a.	Length of the franchise term	Section 3(A) of Franchise Agreement	15 years, commencing on either (i) the date when you initially open your Culver's® Restaurant for business, or (ii) 1 year following the date of this Agreement, whichever date shall first occur.
b.	Renewal or extension of the term	Section 3(B) of Franchise Agreement	If you are in good standing, you can renew the Franchise Agreement for one additional term of 10 years.
c.	Requirements for you to renew or extend	Section 3(B) of Franchise Agreement	Provide advance notice, be in compliance with your Franchise Agreement, have substantially and timely complied with all the provisions of your Franchise Agreement, including but not limited to the payment of all financial obligations, meet then-current qualification and training requirements, attend and successfully complete a refresher course or program, remodel Restaurant Premises, pay renewal fee, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), secure extension of lease, if applicable, and sign release of any claims against us in the form attached as <u>Exhibit J</u> .
d.	Termination by you	Section 18 of Franchise Agreement	If you are complying with the Franchise Agreement, you may terminate the Franchise Agreement with cause upon 30 days' prior written notice to us.

Provision		Section in Franchise or other Agreement	Summary
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	Sections 17(A) and (B) of Franchise Agreement	We can terminate the Franchise Agreement only if you default.
g.	“Cause” defined – curable defaults	Sections 17(A) and (B) of Franchise Agreement	You have 30 days to cure: the failure to open the Restaurant when premises are complete or within 12 months after you secure a site, a violation of any material provision of the Franchise Agreement (including failure to abide by our standards and requirements in operating the Restaurant, or non-payment of amounts owed to us) and the expiration or termination of the Restaurant’s lease.
h.	“Cause” defined – non-curable defaults	Sections 17(A) and (B) of Franchise Agreement	Repeated defaults even if cured, defaults which cannot be cured, deception of Restaurant customers, conviction of felony, a crime of moral turpitude or a charge of violating a law which harms the goodwill associated with our Marks or System, insolvency, assignment for benefit of creditors, abandonment of the Restaurant, defaults which impair the goodwill associated with our Marks and intentionally falsifying any information provided to us.
i.	Your obligations on termination / non-renewal	Sections 19(A) and (B) of the Franchise Agreement	Pay all amounts due us, return manuals and other materials to us, assign the telephone number to us, cease holding yourself out as a Culver’s® franchisee, redecorate the Restaurant premises, remove franchise signs, awnings and fixtures, repaint roof, and discontinue using confidential information (also see r, below).
j.	Assignment of contract by us	Section 16(A) of Franchise Agreement	Assignee must fulfill our Franchise Agreement obligations.
k.	“Transfer” by you – defined	Sections 16(B) – (E) of Franchise Agreement	Includes any transfer of the Restaurant or its assets, your interest in the Franchise Agreement, any transfer of 25% or more of an interest in franchisee.
l.	Our approval of transfer by franchisee	Section 16(C) of Franchise Agreement	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.

Provision		Section in Franchise or other Agreement	Summary
m.	Conditions for our approval of transfer	Sections 16(B) – (E) of Franchise Agreement	<p>Transfer of Franchise Agreement to corporation you own or control: You and your shareholders sign a Personal Guaranty, you provide proof that corporation can financially perform the Franchise Agreement and give us 30 days' written notice.</p> <p>Transfer of more than 10% but less than 25% interest in franchisee: You must give us 30 days' written notice and the proposed assignee of the interest must sign a Personal Guaranty.</p> <p>Other transfers of Franchise Agreement: New franchisee must qualify and complete training, new franchisee must not be involved in a competitive business, you must pay transfer fee, you must pay all amounts owed to us and be in good standing, required modernization is completed, new franchisee signs then-current agreement for balance of existing term, and you must sign a general release and agree to observe all post-termination obligations under Franchise Agreement (also see r, below).</p>
n.	Our right of first refusal to acquire your business	Section 15 of Franchise Agreement	We can match any offer for your business.
o.	Our option to purchase your business	Section 19(C) of Franchise Agreement	We have the option, within 60 days after your Franchise Agreement terminates or expires, to purchase your business at fair market value, excluding goodwill.
p.	Your death or disability	Section 16(F) of Franchise Agreement	Your representative must, within 6 months, transfer your interest in the business to a third party approved by us. If assignee is your spouse or child, no transfer fee is required. If you are a corporation, your shareholders can transfer their stock, upon death or permanent disability, to other shareholders without offering us a right of first refusal.
q.	Non-competition covenants during the term of the franchise	Section 20(A) of Franchise Agreement	You cannot employ any employee of CFSI or a Culver's® franchise, induce a CFSI or Culver's® franchise employee to quit, or be directly or indirectly involved in any other competing restaurant business (except for Restaurants operated under Franchise Agreements with us).
r.	Non-competition covenants after the franchise is terminated or expires	Section 20(B) of Franchise Agreement	You cannot, for 1 year following termination or expiration, employ an employee of CFSI or a Culver's® franchise, induce any CFSI or Culver's® franchise employee to quit his/her employment, or be involved in any competing restaurant business within 6 miles of your Restaurant or any other Culver's® Restaurant.
s.	Modification of the agreement	Sections 4(B), 10(P) and 22(A) and (G) of Franchise Agreement	No modifications generally, but Operations Manual, list of authorized Marks and required goods subject to change.

Provision		Section in Franchise or other Agreement	Summary
t.	Integration/ merger clause	Section 22(G) of Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to federal and state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 21 of Franchise Agreement	Except for certain claims, all disputes subject to arbitration in Sauk County, Wisconsin (subject to state law).
v.	Choice of forum	Not Applicable	
w.	Choice of law	Section 22(D) of Franchise Agreement.	Apply law of the state where the Restaurant is located.

18. PUBLIC FIGURES

We currently do not use any public figures to promote our franchise.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

PART 1 – SCHEDULE OF RESTAURANT FINANCIAL DATA

The following information discloses the average sales of the ~~444469~~ franchised and company-owned Culver's® Restaurants open for the entire 12 month period ended December 31, ~~2012~~2013, and also selected cost percentages for the ~~98~~ company-owned Culver's® Restaurants operated by GoCulv, LLC, CulvCo, LLC, MidCul, LLC, CulvOH, LLC, CulvTex, LLC, ~~DSG, LLC, and TayCul~~ DSG, LLC, subsidiaries of Culver Franchising System, Inc. ("CFSI"), for the entire 12 month period ended December 31, ~~2012~~2013. The following information does not include information from the ~~2823~~ franchised Culver's® Restaurants open as of December 31, ~~2012~~2013, but that were not open as of January 1, 2013, and therefore did not operate for the entire 12-month period, nor does it include information from 3 franchised Culver's® Restaurants that were closed for a period of time during 2013 due to damage to the Restaurant, and therefore also did not operate for the entire 12-month period.

The company-owned Culver's® Restaurants for the entire 12 month period ended December 31, ~~2012~~2013, are located in Sauk City, Spring Green, Richland Center, Baraboo, and Middleton, Wisconsin, Powell, Ohio, Romeoville, Illinois, and Rockwall, Texas, ~~and Taylor, Michigan~~. The buildings housing the Culver's® Restaurants are single-purpose, one story and freestanding, seating 88 to 120 guests at one time, which is comparable to the Culver's® Restaurants expected to be operated under the Franchise Agreement. Substantially the same services were offered to the company-owned Culver's® Restaurants as are provided to the franchisees. CFSI does not, however, provide certain services to franchisees such as financing, accounting, legal, personnel, construction, management, financial and food and labor cost systems.

The company-owned Culver's® Restaurants offered substantially the same products and services to the general public as will the Culver's® Restaurants to be operated under the Franchise Agreement.

The following table was prepared on a basis consistent with generally accepted accounting principles and the same accounting system was used for each company-owned Culver's® Restaurant. The figures used in the tables are based on an annual performance. The information presented in the tables has not been audited.

**Culver Franchising System, Inc.
Restaurant Financial Data**

Gross Sales	
Average Sales (1)	\$1,837,546 <u>875</u> , <u>410</u>
Selected Cost Percentages (2)	
Food Cost (3)	32.49 <u>53</u> %
Paper Cost (4)	3.34 <u>11</u> %
Salaries and Wages (5)	26.13 <u>06</u> %
Employee Benefits (6)	5.22 <u>33</u> %
Direct Operating Expenses (7)	0.67 <u>64</u> %
Supplies and Chemicals (8)	1.24 <u>21</u> %
Utilities (9)	2.75 <u>52</u> %
General and Administrative (10)	2.59 <u>63</u> %
Repairs and Maintenance (11)	1.74 <u>79</u> %
Advertising Royalty (12)	2.00 <u>50</u> %
Local Advertising (13)	1.00%
Service Royalty (14)	4.00%

Notes

1. Average sales taken from franchised and company-owned (affiliate) Culver's® Restaurants open for the 12 month period ended December 31, ~~2012~~2013 (See Table 1). Of the ~~4444~~469 Culver's® Restaurants, ~~198~~214 (or ~~45~~46%) met or exceeded the average sales. "Sales" are defined as the total revenue received from the sale of goods and services, whether by cash or by check or credit card, at or through a Culver's® Restaurant, less sales tax, customer refunds, and unreimbursed amounts involving CFSI approved coupon or discount programs.
2. Except where noted, these selected costs percentages were taken from company (affiliate)-owned Culver's® Restaurants open at least 12 months (see Table 2). Expenses shown above are of selected costs only and do not include such items as rent, real estate taxes, personal property taxes, interest costs, depreciation and amortization or income tax which franchised Culver's® Restaurants will incur.
3. "Food Cost" represents average percentages from company-owned Culver's® Restaurants of food and beverage items sold.
4. "Paper Cost" represents average percentage from company-owned Culver's® Restaurants for paper items.
5. "Salaries and Wages" represents the average percentage from company-owned Culver's® Restaurants for wages paid to Culver's® Restaurant managers and crew. Hourly Manager wages range from ~~\$8.25~~\$9.50/hr to ~~\$15~~\$13.00/hr. Salaried Manager wages range from ~~\$29,000~~\$870/yr to ~~\$59,444~~\$60,633/yr. Crew wages range from \$7.25/hr to ~~\$14.40~~\$15.50/hr. Franchised Culver's® Restaurants may incur higher percentages depending on wages paid and staffing levels.

6. "Employee Benefits" represent average percentages from company-owned Culver's® Restaurants for benefits, including payroll taxes and workers compensation, health and dental, life, STD and LTD insurance. Franchised Culver's® Restaurants may incur higher percentages, depending on benefits offered to employees and staffing levels.
7. "Direct Operating Expenses" represent average percentage from company-owned Culver's® Restaurants for operating expenses, including licenses, permits, uniforms, laundry, printed supplies, auto expenses, and miscellaneous expenses. Franchised Culver's® Restaurants may experience higher percentages for company auto or travel expenses.
8. "Supplies and Chemicals" represent average percentage from company-owned Culver's® Restaurants for supplies and chemicals used in the Culver's® Restaurant.
9. "Utilities" represent the average percentage from company-owned Culver's® Restaurants for electricity, gas and water and sewer. Franchised Culver's® Restaurants may incur higher percentages, depending on rate differences.
10. "General and Administrative" represent the average percentage from company-owned Culver's® Restaurants for general and administrative expenses, including bank charges, credit card fees, dues and subscriptions, liability insurance, office supplies, postage, telephone, payroll service, legal and accounting services. Franchised Culver's® Restaurants may incur higher percentages since the company-owned Culver's® Restaurants are supported by office personnel and personnel wages and benefits are not included in this cost percentage.
11. "Repairs and Maintenance" represents the average percentage from company-owned Culver's® Restaurants for repair and maintenance expenses. Franchised Culver's® Restaurants may incur higher expenses, depending on repairs and maintenance needed.
12. "Advertising Royalty" represents the percentage of sales that a franchisee will pay to the Advertising Fund under the Franchise Agreement. This percentage will ~~increase to 2.00%~~ be 2.00% for all franchise agreements signed prior to March 31, 2012, and 2.50% beginning January 1, 2014 for all franchise agreements signed on or after March 31, 2012.
13. "Local Advertising" represents the minimum percentage of sales that a franchisee must spend on local advertising expenses under the Franchise Agreement.
14. "Service Royalty" represents the percentage of sales that a franchisee would pay to CFSI as a service royalty under the Franchise Agreement.

The average statements shown in the tables DO NOT include the following expense items, which must be calculated and included separately for every franchised Culver's® Restaurant:

- Depreciation of property and equipment.
- Rent, interest or other financing cost for land, buildings, equipment and inventory.
- Initial franchise fee and organization costs.
- Any management fees.
- Income taxes and property taxes.

These excluded items will affect the net income and/or cash flow of any Culver's® Restaurant and must be carefully considered and evaluated by any prospective franchisee. The actual performance of any Culver's® Restaurant will depend on a number of factors specific to the property including the above factors.

Sales and operating results of the Culver's® Restaurants and the Culver's® Restaurants to be operated under the Franchise Agreement are affected by the following:

- Economic and weather conditions of various geographic areas.
- Competition from a variety of other restaurants, including quick-service food businesses. Some Culver's® Restaurants will experience greater competition than others.
- Different acquisition, development, construction and property costs.
- Local property tax rates.
- State laws concerning employee costs
- Different traffic counts, accessibility and visibility. The location of each Culver's® Restaurant may have a significant impact on sales and operating income.
- Different benefits from advertising. Some Culver's® Restaurants do not receive the benefits of television advertising. Some Culver's® Restaurants are not in a market with a sufficient number of other Culver's® Restaurants needed to efficiently obtain local television or other media advertising.
- Although each Culver's® Restaurant has seating and parking, the amount of seating and parking varies among Culver's® Restaurants.
- All Culver's® Restaurants have been in business for different periods of time and therefore have experienced varying periods of time to become established in their respective markets.
- Each Culver's® Restaurant may set its own prices for menu items.
- Each Culver's® Restaurant may experience varying food costs due to geographic area and economies of scale due to the grouping of Culver's® Restaurants in any single geographic area.
- The quality and effectiveness of management of each Culver's® Restaurant varies.

The information in Table 1 is based on 444469 franchised and company-owned Culver's® Restaurants open for the entire 12 month period ended December 31, ~~2012~~2013. Table 1 does not include information from the ~~2823~~ franchised Culver's® Restaurants open as of December 31, 2013, but that opened were not open as of January 1, 2013, and therefore did not operate for the entire 12-month period, nor does it include information from 3 franchised Culver's® Restaurants that were closed for a period of time during 20122013 due to damage to the Restaurant, and therefore also did not operate for the entire 12-month period. Table 1 includes information about non-traditional locations (including 2 Culver's® Restaurants that do not have a drive thru window, 5 Culver's® Restaurants that share a building with a convenience store, and 1 Culver's® Restaurant that occupies an end-cap of a multi-tenant building). The sales information is not audited and CFSI has not independently verified that the information provided by Culver's® franchisees is correct.

Table 1
Culver's® System Sales
Culver's® Restaurants Open 12 months

Number of Culver's® Restaurants	Sales Range
1213	\$3,000,000 and above
1014	\$2,750,000 - 2,999,999
2116	\$2,500,000 - 2,749,999
2241	\$2,250,000 - 2,499,999
6465	\$2,000,000 - 2,249,999
111113	\$1,750,000 - 1,999,999
107112	\$1,500,000 - 1,749,999
6462	\$1,250,000 - 1,499,999
29	\$1,000,000 - 1,249,999
34	\$ 750,000 - 999,999
10	Under \$750,000
Highest Sales	\$ 3,749,556 <u>4,007,266</u>
Lowest Sales	\$ 725,979 <u>761,730</u>
Avg. Sales	\$ 1,837,546 <u>875,410</u>
Median Sales	\$ 1,786,636 <u>836,462</u>

(1) Of the 444469 franchised and company-owned Culver's® Restaurants, 198214 (or 4546%) met or exceeded the average sales and 222234 (or 50%) met or exceeded the median sales.

The following information in Table 2 represents selected cost percentages for the 98 company (affiliate)-owned Culver's® Restaurants that CFSI's affiliates operated for the entire 12 month period ended December 31, 2012~~2013~~.

Table 2
Company-Owned Culver's® Restaurants
Restaurants Open 12 months

	Spring Green, WI		Sauk City, WI		Richland Center, WI	
Sales	<u>1,550,466</u> <u>584,843</u>		<u>2,557,994</u> <u>508,909</u>		<u>1,540,974</u> <u>606,092</u>	
Food Cost	<u>499,993</u> <u>515,581</u>	32.2553%	<u>832,630</u> <u>828,984</u>	<u>32.5533</u> <u>04%</u>	<u>502,357</u> <u>527,552</u>	32.6085%
Paper Cost	<u>50,066</u> <u>47,490</u>	3.2300%	<u>82,183</u> <u>77,669</u>	3.2110%	<u>47,089</u> <u>45,668</u>	3.062.84%
Gross Profit	<u>1,000,407</u> <u>021,773</u>	64.5247%	<u>1,643,181</u> <u>602,255</u>	<u>64.2463</u> <u>.86%</u>	<u>991,528</u> <u>1,032,872</u>	64.3431%
Salaries and Wages	<u>421,858</u> <u>440,642</u>	27.2180%	<u>615,593</u> <u>624,076</u>	24.0787%	<u>417,483</u> <u>442,767</u>	27.0957%
Employee Benefits *	<u>106,215</u> <u>115,681</u>	6.857.30%	<u>133,690</u> <u>123,632</u>	<u>5.234</u> <u>.93%</u>	<u>105,163</u> <u>110,819</u>	6.8290%
Direct Operating Expenses **	<u>41,377</u> <u>12,610</u>	0.7380%	<u>15,388</u> <u>16,616</u>	0.6066%	<u>11,173</u> <u>9,968</u>	0.7362%
Supplies and Chemicals	<u>21,279</u> <u>22,354</u>	1.3741%	<u>29,350</u> <u>28,574</u>	1.4514%	<u>20,912</u> <u>19,900</u>	1.3624%
Utilities***	<u>41,118</u> <u>40,213</u>	2.6554%	<u>47,153</u> <u>46,089</u>	1.84%	<u>49,568</u> <u>50,664</u>	3.2215%
General and Administrative ****	<u>35,562</u> <u>37,889</u>	2.2939%	<u>51,335</u> <u>53,180</u>	2.0112%	<u>36,596</u> <u>38,010</u>	2.37%
Repairs and Maintenance	<u>27,094</u> <u>26,857</u>	1.7569%	<u>41,633</u> <u>45,900</u>	1.6383%	<u>37,302</u> <u>36,103</u>	2.4225%
Advertising Royalty	<u>31,009</u> <u>39,621</u>	2.0050%	<u>51,160</u> <u>62,723</u>	2.0050%	<u>30,819</u> <u>40,152</u>	2.0050%
Local Advertising****	<u>15,505</u> <u>848</u>	1.00%	<u>25,580</u> <u>089</u>	1.00%	<u>15,410</u> <u>16,061</u>	1.00%
Service Royalty	<u>62,019</u> <u>63,394</u>	4.00%	<u>102,320</u> <u>100,356</u>	4.00%	<u>61,639</u> <u>64,244</u>	4.00%
Income *****	<u>227,371</u> <u>206,664</u>	14.6613.04%	<u>529,979</u> <u>476,019</u>	20.7218.97%	<u>205,463</u> <u>204,184</u>	13.3312.71%
	Baraboo, WI		Middleton, WI		Powell, OH	
Sales	<u>2,326,871</u> <u>463,156</u>		<u>3,021,317</u> <u>157,785</u>		<u>1,338,254</u> <u>389,942</u>	
Food Cost	<u>755,234</u> <u>809,662</u>	32.4687%	<u>961,059</u> <u>1,004,868</u>	31.8182%	<u>429,129</u> <u>436,359</u>	32.0731.39%
Paper Cost	<u>404,435</u> <u>77,668</u> <u>489</u>	3.3415%	<u>103,729</u> <u>1,955,823</u>	3.4628%	<u>44,881</u> <u>42,314</u>	3.3504%
Gross Profit	<u>1,493,969</u> <u>576,005</u>	64.2163.98%	<u>2,049,187</u> <u>2,049,187</u>	<u>64.7389</u> <u>%</u>	<u>864,244</u> <u>911,269</u>	64.5865.56%
Salaries and Wages	<u>587,216</u> <u>601,418</u>	25.24.42%	<u>682,674</u> <u>715,402</u>	22.6066%	<u>375,970</u> <u>392,839</u>	28.0926%
Employee Benefits *	<u>112,227</u> <u>113,242</u>	4.8260%	<u>113,664</u> <u>127,253</u>	3.764.03%	<u>84,061</u> <u>98,530</u>	6.287.09%
Direct Operating Expenses **	<u>43,366</u> <u>12,703</u>	0.5752%	<u>14,931</u> <u>368</u>	0.4945%	<u>11,932</u> <u>909</u>	0.8986%
Supplies and Chemicals	<u>25,477</u> <u>26,475</u>	1.0907%	<u>31,286</u> <u>574</u>	1.0400%	<u>15,727</u> <u>16,893</u>	1.1822%
Utilities***	<u>50,609</u> <u>49,734</u>	2.1702%	<u>63,963</u> <u>64,035</u>	2.1203%	<u>46,855</u> <u>50,392</u>	3.5063%
General and Administrative ****	<u>51,912</u> <u>53,526</u>	2.2317%	<u>68,861</u> <u>77,859</u>	2.2847%	<u>50,608</u> <u>54,964</u>	3.7895%
Repairs and Maintenance	<u>28,684</u> <u>27,603</u>	1.2312%	<u>43,023</u> <u>58,314</u>	1.4285%	<u>24,102</u> <u>27,996</u>	1.802.01%
Advertising Royalty	<u>46,537</u> <u>61,579</u>	2.0050%	<u>60,426</u> <u>78,945</u>	2.0050%	<u>26,765</u> <u>34,749</u>	2.0050%

Local Advertising****	23,269 <u>24,632</u>	1.00%	30,213 <u>31,578</u>	1.00%	13,383 <u>13,899</u>	1.00%
Service Royalty	93,075 <u>98,526</u>	4.00%	120,853 <u>126,311</u>	4.00%	53,530 <u>55,598</u>	4.00%
Income *****	461,597 <u>506,569</u>	19.84 <u>20.57%</u>	725,932 <u>723,549</u>	24.03 <u>22.91%</u>	161,311 <u>153,501</u>	12.05 <u>11.04%</u>

	Rockwall, TX			Romeoville, IL			Taylor, MI			Total						
Sales	1,128,821	248,832		1,500,521	546,683		1,280,303	15,506,241		16,24	5,521					
Food Cost	380,259	417,201	33.694	489,497	503,509	32.62	428,334	55%	283	5%	5,278,441	1043,716	32.49	53%		
Paper Cost	40,962	41,041	3.6329	47,190	46,795	3.1403	403%	808,3	63.1	40.42	42	4%	8,928	3.41	538.1	3.3
Gross Profit	707,600	790,591	62.686	963,834	996,378	64.2342	331	9,980	331	64.2036	31		64.2036			
Salaries and Wages	333,843	362,219	29.570	446,214	461,135	29.74	364,28.4	81%	626	8%	4,245,474	1040,499	26.1306			
Employee Benefits *	57,244	5,068	4.5572	67,003	78,619	5.3008	848,450	826,668	5.2233	91%			5.2233			
Direct Operating Expenses **	11,683	1,071	0.4881	12,370	11,277	0.9773	109,413	99,549	0.6764	1.50	201.5	1.2	0.6764			
Supplies and Chemicals	18,029	20,380	1.6063	20,299	952	1.35%	19,152	187,103	21%	44	4%					
Utilities***	44,523	46,723	3.9474	44,620	43,444	2.9781	93	40,31	3.15	421.2	25		2.7552			
General and Administrative ****	45,010	47,136	3.9977	41,030	44,741	2.7389	407.3	05	2.5963	91%			2.5963			
Repairs and Maintenance	22,961	27,328	2.0319	28,540	27,167	1.907	24.3	1.90	6%	48	%	277,687	267	1.7179		
Advertising Royalty Local	22,576	31,221	2.0050	30,010	38,667	2.0050	25,606	387,656	50%	10	0%	324.9	2.0	2.0		
Advertising****	11,288	12,488	1.00%	15,005	467	1.00%	12,803	155,062	1.00%	1.00	162.4	1.0	1.00			
Service Royalty	45,153	49,953	4.00%	60,021	61,867	4.00%	51,212	620,250	%	21	0%	649.8	4.0	4.0		
Income*****	95,293	124,151	8.4499	202,616	193,042	12.48	947	3%	2,740,509	587,680	16.8769	4%	16.8769			

*Employee Benefits includes Payroll Taxes and Workers Compensation, Health, Dental, Life, STD and LTD Insurance

** Direct Operating Expenses include licenses, permits, uniforms, laundry, printed supplies, auto expenses, and miscellaneous expenses

*** General and Administrative includes bank charges, dues and subscriptions, liability insurance, office supplies, postage, telephone, payroll service, legal and accounting service.

****Local Advertising represents a percentage of sales that is required to be spent on local advertising expenses.

***** Income is before deductions for rent, real estate taxes, personal property taxes, interest costs, depreciation and amortization or income tax

The above calculation of levels of gross sales and selected cost percentages should not be considered as the actual or probable sales or selected cost percentages that will be realized by any franchisee. CFSI does not represent that any franchisee can expect to attain such sales or selected cost percentages.

Each prospective franchisee must accept the risk of not doing as well as the tables reflects for company-owned or franchised Culver's® Restaurants. Substantiation of the data illustrated in this statement will be made available to prospective franchisees upon reasonable demand.

PART 2 – AVERAGE SALES INFORMATION

The following tables disclose the average Culver's® Restaurant sales sorted by certain geographic and demographic factors, including average Culver's® Restaurant sales by state, designated market area, metropolitan area, proximity to an interstate, and population, household incomes and employees within a 3-mile radius surrounding the Culver's® Restaurants, and number of eating places within a 1-mile radius surrounding the Culver's® Restaurants. The information is based on ~~435~~460 franchised and company-owned Culver's® Restaurants open during the entire 12 month period ending December 31, ~~2012~~2013, and does not include the ~~28~~23 franchised Culver's® Restaurants that first opened during ~~2012~~2013, the 3 franchised Culver's® Restaurants that were closed for a period of time during 2013 due to damage to the Restaurant, or the 9 Culver's® Restaurants that are non-traditional locations (including 3 Culver's® Restaurants that do not have a drive thru window, 5 Culver's® Restaurants that share a building with a convenience store, and 1 Culver's® Restaurant that occupies an end-cap of a multi-tenant building). The sales information is not audited and CFSI has not independently verified that the information provided by Culver's® franchisees is correct.

Table 1 – Total Average Sales

Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants Exceeding the Average	Range of Sales
<u>435</u> <u>460</u>	<u>\$1,843,660</u> <u>880,734</u>	<u>194</u> (<u>45</u> <u>212</u> (46%))	<u>\$872,424</u> - <u>\$3,749,556</u> <u>\$916,440</u> - <u>\$4,007,266</u>

Table 2 – Average Sales by State

State	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Arizona	<u>13</u> <u>16</u>	<u>\$1,974,221</u> <u>900,188</u>	<u>6</u> (<u>46</u> <u>8</u> (50%))	<u>\$1,413,184</u> <u>469,276</u> - <u>\$2,923,015</u> <u>526,656</u>
Colorado	<u>8</u> <u>9</u>	<u>\$1,639,391</u> <u>701,446</u>	<u>3</u> (<u>38</u> <u>4</u> (44%))	<u>\$1,106,909</u> <u>193,426</u> - <u>\$2,412,856</u> <u>286,675</u>
Illinois	<u>8</u> <u>58</u> <u>7</u>	<u>\$1,760,357</u> <u>805,916</u>	<u>4</u> <u>54</u> <u>6</u> (53%)	<u>\$1,078,159</u> <u>014,563</u> - <u>\$2,875,608</u> <u>755,617</u>
Indiana	<u>2</u> <u>8</u>	<u>\$1,859,295</u> <u>957,419</u>	<u>1</u> <u>3</u> (<u>46</u> <u>12</u> (43%))	<u>\$1,006,804</u> <u>983,897</u> - <u>\$2,903,657</u> <u>998,754</u>
Iowa	<u>2</u> <u>6</u> <u>3</u> <u>0</u>	<u>\$1,645,986</u> <u>637,634</u>	<u>1</u> <u>3</u> <u>1</u> <u>5</u> (50%)	<u>\$1,055,436</u> <u>082,876</u> - <u>\$2,878,210</u> <u>917,041</u>
Kansas	<u>4</u> <u>5</u>	<u>\$1,910,849</u> <u>943,226</u>	<u>2</u> (<u>50</u> <u>40</u> %)	<u>-\$1,240,264</u> - <u>\$2,832,262</u>
Kentucky	<u>1</u> <u>0</u>	<u>\$1,750,447</u> <u>817,279</u>	<u>4</u> (<u>40</u> <u>5</u> (50%))	<u>\$1,167,877</u> <u>132,141</u> - <u>\$2,275,739</u> <u>340,580</u>
Michigan	<u>3</u> <u>2</u> <u>3</u> <u>6</u>	<u>\$1,714,359</u> <u>736,998</u>	<u>1</u> <u>4</u> (<u>44</u> <u>39</u> %)	<u>\$872,424</u> <u>916,440</u> - <u>\$2,417,255</u> <u>482,635</u>
Minnesota	<u>5</u> <u>0</u> <u>5</u> <u>1</u>	<u>\$1,745,105</u> <u>803,260</u>	<u>2</u> <u>2</u> (<u>44</u> <u>24</u> (47%))	<u>\$969,738</u> <u>1,007,085</u> - <u>\$3,123,922</u> <u>370,795</u>
Missouri	<u>2</u> <u>3</u> <u>2</u> <u>4</u>	<u>\$1,897,236</u> <u>912,106</u>	<u>9</u> (<u>39</u> <u>12</u> (50%))	<u>\$1,151,195</u> <u>040,750</u> - <u>\$2,710,113</u> <u>845,755</u>
Nebraska	<u>1</u> <u>0</u>	<u>\$1,584,775</u> <u>656,667</u>	<u>6</u> (60%)	<u>\$1,134,701</u> <u>219,477</u> - <u>\$1,919,163</u> <u>962,253</u>

State	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
North Dakota	3	\$1,587,491,644,046	2 (67%)	-
Ohio	8	\$1,599,313,629,458	4 (5 3 (38%))	\$1,338,254,334,921 - \$2,090,795,138,550
South Carolina	1	-	-	-
South Dakota	9	\$1,757,335,752,076	5 (6 50%)	\$1,138,783,161,002 - \$2,564,060,583,672
Tennessee	2	-	-	-
Texas	89	\$1,544,966,615,804	2 (25 3 (33%))	\$1,128,821,246,245 - \$2,359,069,605,768
Utah	3	-\$1,652,642	-2 (67%)	-
Wisconsin	11	\$2,094,509,146,068	5 (4 36 (39%))	\$1,078,638 - \$3,749,556,086,557 - \$4,007,266
Wyoming	1	-	-	-

*Because there are only 43 Culver's® Restaurants in Kansas, North Dakota and 3 Culver's® Restaurants in North Dakota, Utah, the Range of Sales information is not disclosed for those Culver's® Restaurants to protect the franchisees' confidentiality. Sales information for the Kansas and North Dakota and Utah Culver's® Restaurants is included in all other charts.

**Because there is only 1 Culver's® Restaurant in Tennessee, 1 South Carolina, 2 Culver's® Restaurant Restaurants in Utah Tennessee, and 1 Culver's® Restaurant in Wyoming, the sales information is not disclosed for that those Culver's® Restaurant Restaurants to protect the franchisee's franchisees' confidentiality. Sales information for the South Carolina, Tennessee, Utah, and Wyoming Culver's® Restaurant Restaurants is included in all other charts.

Table 3 – Average Sales by Designated Market Area

Number of Culver's® Restaurants in a DMA	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
9 Culver's® or Less in a DMA	154	\$1,777,744,791,259	69 (45 74 (47%))	\$872,424,916,440 - \$2,923,015,998,754
10 or more Culver's® in a DMA	284	\$1,879,786,927,546	120 (43 132 (44%))	\$969,738 - \$3,749,556,1,007,085 - \$4,007,266

"DMA" is Designated Market Area. Each county in the country is assigned to a DMA by Nielsen Media Research based upon where the commercial TV stations in metro areas achieve their largest audience share.

Table 4 – Average Sales by Metropolitan Statistical Area

Metropolitan vs. Non-Metropolitan Statistical Area	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Culver's® Restaurants Located in a Non-Metropolitan Statistical Area	<u>97102</u>	<u>\$1,639,136675,427</u>	42 (43 46 (45%))	\$872,424 916,440 - \$2,707,344 730,974
Restaurants Located in a Metropolitan Statistical Area	<u>338358</u>	<u>\$1,902,356939,230</u>	146 (43 157 (44%))	\$1,035,780 - \$3,749,556 14,563 - \$4,007,266

Core Based Statistical Area (“CBSA”) data, provided by the United States Office of Management and Budget (“OMB”), was used to determine whether a Culver’s® Restaurant was located in a metropolitan statistical area. CBSAs consist of the county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. The general concept of a CBSA is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. According to the OMB, metropolitan statistical areas are CBSAs associated with at least one urbanized area that has a population of at least 50,000. The metropolitan statistical area comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Table 5 – Average Sales by Proximity to an Interstate Enter or Exit Ramp

Location of Culver's® Restaurants	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Within 1/2 Mile of Interstate Enter or Exit Ramp	<u>114121</u>	<u>\$1,945,591981,936</u>	52 (46 48 (40%))	\$1,035,780 096,233 - \$3,181,502 370,795
Not Within 1/2 Mile of Interstate Enter or Exit Ramp	<u>321339</u>	<u>\$1,807,461844,612</u>	144 (45 156 (46%))	\$872,424 - \$3,749,556 916,440 - \$4,007,266

**Table 6 – Average Sales by the Total Population
Within a 3 Mile Radius Surrounding the Culver's® Restaurant**

Population Within a 3 Mile Radius Surrounding the Culver's® Restaurants	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Less than 10,000 people	38	\$1,783,202 <u>842,609</u>	14 (37 <u>15</u>) (39%)	\$1,078,638 - \$2,962,791 <u>1086,557 - \$3,166,973</u>
10,000 to 19,999	75 <u>82</u>	\$1,670,885 <u>720,008</u>	35 (47 <u>38</u>) (46%)	\$872,424 <u>916,440 - \$2,771,720</u> 889,605
20,000 to 29,999	72 <u>73</u>	\$1,819,287 <u>854,041</u>	37 (51 <u>36</u>) (49%)	\$1,055,436 <u>129,566 - \$3,181,502</u> 254,929
30,000 to 39,999	52 <u>55</u>	\$1,892,120 <u>936,169</u>	20 (38 <u>22</u>) (40%)	\$1,128,821 <u>014,563 - \$3,228,518</u> 306,797
40,000 to 49,999	47 <u>49</u>	\$1,899,086 <u>947,969</u>	23 (49 <u>26</u>) (53%)	\$1,281,832 <u>177,514 - \$3,367,932</u> 525,564
50,000 to 59,999	40 <u>41</u>	\$1,756,135 <u>785,605</u>	19 (48 <u>20</u>) (49%)	\$1,070,196 <u>082,876 - \$2,638,133</u> 750,358
60,000 to 69,999	26 <u>31</u>	\$1,971,560 <u>990,138</u>	10 (38 <u>32</u> %)	\$1,149,788 <u>214,193 - \$3,729,752</u> 665,720
70,000 to 79,999	19	\$1,989,386 <u>2,034,544</u>	5 (26) (32%)	\$1,263,266 <u>346,505 - \$3,085,999</u> 021,093
80,000 to 89,999	18 <u>17</u>	\$1,826,668 <u>869,573</u>	8 (44 <u>47</u> %)	\$1,106,909 <u>193,426 - \$2,576,896</u> 619,756
90,000 to 99,999	18 <u>21</u>	\$2,014,095 <u>041,206</u>	6 <u>7</u> (33%)	\$1,204,568 - \$3,749,556 <u>246,245 - \$4,007,266</u>
100,000 or more	30 <u>34</u>	\$2,061,343 <u>017,199</u>	13 (4 <u>33</u> 8%)	\$1,381,932 <u>304,760 - \$3,660,773</u> 859,946

The Culver's® Restaurants are sorted based on the residential population within a 3-mile radius surrounding the Culver's® Restaurants. The residential population demographic data were provided by Environmental Systems Research Institute and its 2012/2013 demographic estimates are based on the 2010 United States Census, and multiyear data releases of the American Community Survey. CFSI has not independently confirmed the data.

**Tables 7 and 8 – Average Sales by the Median Household Income
Within a 3 Mile Radius Surrounding the Culver's® Restaurant**

Median Household Income Within a 3 Mile Radius Surrounding the Culver's® Restaurant	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Less than \$50,000	<u>207</u> <u>212</u>	\$1,817,792 <u>840,537</u>	90 (<u>43</u> <u>97</u> (46%))	\$872,424 - \$3,749,556 <u>\$916,440 -</u> <u>\$4,007,266</u>
\$50,000 or More	<u>228</u> <u>248</u>	\$1,867,147 <u>915,097</u>	<u>104</u> <u>115</u> (46%)	\$1,035,780 <u>014,563 -</u> <u>\$3,367,932</u> <u>399,240</u>

Median Household Income Within a 3 Mile Radius Surrounding the Culver's® Restaurant	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Less than \$40,000	<u>67</u> <u>96</u>	\$1,739,814 <u>801,654</u>	29 (<u>43</u> (45%))	\$872,424 - \$3,660,773 <u>\$916,440 -</u> <u>\$4,007,266</u>
\$40,000 to \$49,999	<u>140</u> <u>116</u>	\$1,855,132 <u>872,716</u>	56 (<u>40</u> <u>54</u> (47%))	\$969,738 <u>1,007,085 -</u> \$3,749,556 <u>665,720</u>
\$50,000 to \$59,999	<u>105</u> <u>109</u>	\$1,918,126 <u>970,065</u>	47 (<u>45</u> (41%))	\$1,105,408 <u>132,141 -</u> <u>\$3,367,932</u> <u>399,240</u>
\$60,000 to \$69,999	<u>57</u> <u>56</u>	\$1,903,033 <u>943,497</u>	29 (<u>51</u> <u>52</u> %)	\$1,078,159 <u>176,851 -</u> <u>\$2,875,608</u> <u>969,030</u>
\$70,000 to \$79,999	<u>35</u> <u>47</u>	\$1,836,491 <u>908,196</u>	15 (<u>43</u> <u>22</u> (47%))	\$1,090,276 <u>154,570 -</u> <u>\$3,228,518</u> <u>306,797</u>
\$80,000 to \$89,999	<u>15</u> <u>19</u>	\$1,658,264 <u>722,116</u>	8 (<u>53</u> <u>9</u> (47%))	\$1,035,780 <u>014,563 -</u> <u>\$2,962,791</u> <u>619,756</u>
\$90,000 to \$99,999	<u>8</u> <u>9</u>	\$1,776,469 <u>714,051</u>	4 (<u>50</u> <u>5</u> (56%))	\$1,520,778 <u>096,233 -</u> <u>\$2,012,454</u> <u>116,390</u>
\$100,000 or More	8	\$1,558,800 <u>692,406</u>	3 (<u>38</u> <u>4</u> (50%))	\$1,338,254 <u>389,942 -</u> <u>\$1,936,788</u> <u>978,960</u>

The Culver's® Restaurants are sorted based on the median household incomes of the residential population within a 3-mile radius surrounding the Culver's® Restaurants. The median household income demographic data were provided by Environmental Systems Research Institute and its 2012/2013 demographic estimates are based on the 2010 United States Census, and multiyear data releases of the American Community Survey. CFSI has not independently verified that confirmed the data are correct.

**Table 9 - Average Sales by the Total Number of Employees
Within a 3 Mile Radius Surrounding the Culver's® Restaurant**

Number of Employees Within a 3 Mile Radius Surrounding the Culver's® Restaurants	Total Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales
Less than 10,000	<u>85132</u>	<u>\$1,741,632771,291</u>	<u>36 (4260 (45%)</u>	\$1,006,804 - \$2,962,791 <u>\$916,440 -</u> <u>\$3,166,973</u>
10,000 to 19,999	<u>124133</u>	<u>\$1,773,627870,695</u>	<u>55 (4461 (46%)</u>	\$872,4241,082,876 - \$3,228,518306,797
20,000 to 29,999	<u>7489</u>	<u>\$1,861,415945,547</u>	<u>33 (4536 (40%)</u>	\$1,070,196014,563 - \$3,021,317665,720
30,000 to 39,999	<u>5647</u>	<u>\$1,863,864925,766</u>	<u>27 (4821 (45%)</u>	\$1,106,909214,193 - \$3,367,932399,240
40,000 to 49,999	<u>3432</u>	<u>\$1,968,7732,029,862</u>	<u>14 (4144%)</u>	\$1,149,788280,114 - \$3,729,752859,946
50,000 to 59,999	<u>4810</u>	<u>\$1,976,467765,634</u>	<u>6 (334 (40%)</u>	\$1,188,265 - \$3,288,545372,412 - <u>\$2,276,290</u>
60,000 to 69,999	<u>225</u>	<u>\$2,009,167038,498</u>	<u>10 (451 (20%)</u>	\$1,398,462 - \$3,660,773689,342 - <u>\$2,755,617</u>
70,000 to 79,999	<u>85</u>	<u>\$1,768,7952,438,109</u>	<u>5 (632 (40%)</u>	\$1,327,917 - \$2,122,260672,302 - <u>\$3,370,795</u>
80,000 or More	<u>147</u>	<u>\$2,216,8511,980,770</u>	<u>5 (361 (14%)</u>	\$1,343,812 - \$3,749,556287,416 - <u>\$4,007,266</u>

The Culver's® Restaurants are sorted based on the number of employees (both full-time and part-time) at employers within a 3-mile radius surrounding the Culver's® Restaurants. The number of employees demographic data were provided by Environmental Systems Research Institute. Environmental Systems Research Institute extracts its employee data from a comprehensive list of businesses licensed from ~~Infogroup~~Dun & Bradstreet®. This business list contains data for nearly ~~1218~~ million United States businesses including the business name, location, franchise code, industry classification code, number of employees, and is current as of January ~~2011~~.2013. In maintaining and adding to its business database, ~~Infogroup®~~ ~~references several~~Dun & Bradstreet® leverages proprietary databases, customer-generated information, and publicly available sources ~~including~~such as business registries, Internet/web mining, news and media reports, telephone directories, court and legal filings, company financials, banking information, directory listings such as Yellow Pages and business white pages; annual reports; 10Ks and Securities and Exchange Commission (SEC) information; federal, state~~assistance~~, industry trade data, and municipal government data; business magazines; newsletters and newspapers; and information from the United States Postal Service. ~~Infogroup®~~ conducts annual telephone verifications with each business listed in the database.~~telephone interviews.~~ CFSI has not independently ~~verified that~~confirmed the data are correct.

Table 10 – Average Sales by the Total Number of Eating Places Within a 1 Mile Radius Surrounding the Culver’s® Restaurant

Average Sales by Total Number of Eating Places Within a 1 Mile Radius Surrounding the Culver’s® Restaurant	Total Number of Culver’s® Restaurants	Average Sales	Number of Culver’s® Restaurants that Exceeded the Average	Range of Sales
Less than 5	<u>4075</u>	\$1,745,837,811,180	5 (<u>5039</u> (52%))	\$872,424,916,440 - \$2,771,720,969,030
5- <u>to 9</u>	<u>38140</u>	\$1,862,296,329	19 (<u>5062</u> (44%))	\$1,138,783 - \$2,962,791,007,085 - \$3,306,797
10- <u>to 14</u>	<u>73114</u>	\$1,769,730,934,480	29 (<u>4047</u> (41%))	\$1,070,196 - \$2,988,654,983,897 - \$4,007,266
15-19	<u>66</u>	\$1,790,259	33 (<u>50%</u>)	\$969,738 - \$2,878,272
20-24 <u>to 19</u>	<u>5557</u>	\$1,886,081,877,706	26 (<u>4724</u> (42%))	\$1,035,780,178,637 - \$3,228,518,665,720
25-29 <u>to 24</u>	<u>4246</u>	\$1,911,409,969,557	18 (<u>4339%</u>)	\$1,084,609,040,750 - \$3,749,556,859,946
30-34	<u>31</u>	\$1,853,462	11 (<u>35%</u>)	\$1,167,877 - \$3,729,752
35-39 <u>to 29</u>	<u>3818</u>	\$1,779,118,861,312	18 (<u>477</u> (39%))	\$1,055,436,248,832 - \$3,123,922,525,564
40-44 <u>to 34</u>	<u>277</u>	\$1,836,698,718,600	12 (<u>442</u> (29%))	\$1,268,799,301,630 - \$2,903,657,356,626
45 <u>35 or more</u> <u>More</u>	<u>553</u>	\$1,959,109,626,651	24 (<u>441</u> (33%))	\$1,128,821 - \$3,660,773,493,036 - \$1,806,308

The Culver’s® Restaurants are sorted based on the total number of eating places within a 1-mile radius surrounding the Culver’s® Restaurants. The total number of eating places data were provided by Environmental Systems Research Institute and it extracts its business data from a comprehensive list of businesses licensed from **Infogroup Dun & Bradstreet®**. This business list contains data for nearly 1218 million United States businesses and is current as of January ~~2011~~ 2013. A business is considered an eating place based on its industry classification as designated by the United States Office of Management and Budget’s North American Industry Classification System. A business is considered an eating place if its classification is either “Full-Service Restaurants” or “Limited-Service Eating Places.” “Full-Service Restaurants” comprises establishments primarily engaged in providing food services to patrons who order and are served while seated (i.e., waiter/waitress service) and pay after eating. Establishments that provide these types of food services to patrons with any combination of other services, such as takeout services are also included. “Limited-Service Eating Places” comprises establishments primarily engaged in providing food services where patrons generally order or select items and pay before eating. Most establishments do not have waiter/waitress service, but some provide limited service, such as cooking to order, bringing food to seated customers, or providing off-site delivery. CFSI has not independently ~~verified that~~ confirmed the data ~~are correct~~.

**Table 11 – Average Sales In Comparison to
Population, Median Household Income, Employees and Number of Eating Places**

Culver's® Restaurant Sales	Number of Culver's® Restaurants	Average Sales	Number of Culver's® Restaurants that Exceeded the Average	Range of Sales	Average Population Within a 3 Mile Radius Surrounding the Culver's® Restaurants	Average Median Household Income Within a 3 Mile Radius Surrounding the Culver's® Restaurants	Average Number of Employees Within a 3 Mile Radius Surrounding the Culver's® Restaurants	Average Number of Eating Places Within a 1 Mile Radius Surrounding the Culver's Restaurant
Below \$1,000,000	2	<u>\$921,081</u> <u>95,169</u>	1 (50%)	\$872,424 - \$969,738 <u>\$91,644 - \$983,897</u>	14,933 <u>13,775</u>	\$40,344 <u>\$33,794</u>	11,573 <u>7,554</u>	11 <u>6</u>
\$1,000,000 to \$1,250,000	28	<u>\$1,127,960</u> <u>154,134</u>	17 (61%)	\$1,006,804 - 07,085 <u>\$1,212,038 - 48,832</u>	33,615 <u>34,378</u>	\$52,225 <u>\$55,957</u>	18,030 <u>14,304</u>	23 <u>9</u>
\$1,250,001 to \$1,500,000	<u>62</u> <u>61</u>	<u>\$1,382,558</u> <u>400,696</u>	33 (53) <u>32 (52%)</u>	\$1,251,366 - 52,141 <u>\$1,498,678 - 97,322</u>	41,218 <u>713</u>	\$53,939 <u>\$52,233</u>	25,700 <u>28,176</u>	26 <u>12</u>
\$1,500,001 to \$1,750,000	106 <u>111</u>	<u>\$1,612,858</u> <u>630,842</u>	53 (50) <u>61 (55%)</u>	\$1,500,521 - 03,227 <u>\$1,748,487 - 49,199</u>	38,892 <u>43,671</u>	\$54,151 <u>\$53,905</u>	23,434 <u>21,213</u>	25 <u>11</u>
\$1,750,001 to \$2,000,000	110 <u>111</u>	<u>\$1,868,475</u> <u>888,273</u>	53 (48) <u>60 (54%)</u>	\$1,750,347 - 52,785 <u>\$1,997,457 - 95,047</u>	47,632 <u>727</u>	\$56,138 <u>\$37</u>	29,848 <u>23,017</u>	26 <u>12</u>
\$2,000,001 to \$2,250,000	63 <u>64</u>	<u>\$2,122,852</u> <u>103,595</u>	29 (46) <u>31 (48%)</u>	\$2,000,933 - 02,143 <u>\$2,245,350 - 49,792</u>	54,102 <u>48,645</u>	\$51,310 <u>\$54,482</u>	29,882 <u>20,490</u>	27 <u>11</u>
\$2,250,001 to \$2,500,000	22 <u>21</u>	<u>\$2,335,507</u> <u>357,955</u>	11 (50) <u>18 (44%)</u>	\$2,251,585 - 54,077 <u>\$2,436,741 - 87,316</u>	50,631 <u>51,269</u>	\$54,004 <u>\$52,198</u>	32,391 <u>23,448</u>	31 <u>12</u>
\$2,500,001 to \$2,750,000	20 <u>16</u>	<u>\$2,616,988</u> <u>618,149</u>	10 (50) <u>8 (50%)</u>	\$2,501,752 - 03,955 <u>\$2,743,447 - 33,349</u>	42,151 <u>41,529</u>	\$54,508 <u>\$53,404</u>	23,433 <u>16,030</u>	23 <u>10</u>
Over \$2,750,000	22 <u>26</u>	<u>\$3,131,493</u> <u>140,805</u>	9 (41) <u>12 (46%)</u>	\$2,771,720 - \$3,749,556 <u>\$3,358 - \$4,007,266</u>	71,318 <u>66,012</u>	\$52,563 <u>\$54,506</u>	44,781 <u>30,673</u>	30 <u>12</u>

This chart sorted the Culver's® Restaurants by their sales volumes in increments of \$250,000 so that the population, median household income and number of employees within a 3 mile radius of a Culver's® Restaurant, and number of eating places within a 1 mile radius could be shown in relation to different levels of sales. The residential population demographic data were provided by Environmental Systems Research Institute and its ~~2012~~2013 demographic estimates are based on the 2010 United States Census, and multiyear data releases of the American Community Survey. The median household income demographic data were provided by Environmental Systems Research Institute and its ~~2012~~2013 demographic estimates are based on the 2010 United States Census, and multiyear data releases of the American Community Survey. The number of employees demographic data were provided by Environmental Systems Research Institute. Environmental Systems Research Institute extracts its employee data from a comprehensive list of businesses licensed from ~~Infogroup~~Dun & Bradstreet®. This business list contains data for nearly ~~12~~18 million United States businesses including the business name, location, franchise code, industry classification code, number of employees, and is current as of January ~~2011~~2013. The number of eating places data were provided by Environmental Systems Research Institute and it extracts its business data from a comprehensive list of

businesses licensed from ~~InfoGroup~~ Dun & Bradstreet®. This business list contains data for nearly ~~1218~~ million United States businesses and is current as of January ~~2011~~ 2013. CFSI has not independently confirmed the data.

Some Restaurants have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation of the data is available upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Steve Anderson at Culver Franchising System, Inc., 1240 Water Street, Prairie du Sac, Wisconsin 53578, (608) 644-2155, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Restaurant Summary
For Years ~~2010~~ 2011 to ~~2012~~ 2013

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2010 <u>2011</u>	404415	415435	11+20
	2011 <u>2012</u>	415435	435463	20+28
	2012 <u>2013</u>	435463	463487	28+24
Company-Owned	2010 <u>2011</u>	9	9	0
	2011 <u>2012</u>	9	9	0
	2012 <u>2013</u>	9	9 8	0 1
Total Outlets	2010 <u>2011</u>	413424	424444	11+20
	2011 <u>2012</u>	424444	444472	20+28
	2012 <u>2013</u>	444472	472495	28+23

TABLE NUMBER 2
Transfers of Restaurants From Franchisee to New Owners (Other than the Franchisor)
For Years ~~2010~~ 2011 to ~~2012~~ 2013

State	Year	Number of Transfers
Colorado	2010	0
Arizona	2011	0
	2012	0
	<u>2013</u>	<u>1</u>
Illinois	2010 <u>2011</u>	1
	2011	1
	2012	3
	<u>2013</u>	<u>4</u>

State	Year	Number of Transfers
Indiana	2010 2011	1
	2012	<u>1</u>
	2013	<u>2</u>
Iowa	2011	1
	2012	10
Iowa	2010 2013	0 1
Michigan	2011	1
	2012	0
Michigan	2010 2013	10
Minnesota	2011	1
	2012	0
Minnesota	2010 2013	15
	2011	1
	2012	0
Missouri	2010 2011	0
	2011	0
	2012	2
	2013	<u>1</u>
Nebraska	2010 2011	1
	2011	1
	2012	0
	2013	<u>1</u>
Kansas	2010 2011	0
	2011	0
	2012	1
Ohio	2010 2013	0
	2011	0
	2012	0
South Dakota	2010 2011	0
	2011	0
	2012	1
Texas	2010 2013	10
Texas	2011	0
	2012	0
	2013	<u>0</u>
Wisconsin	2010 2011	1
	2011	1
	2012	1
	2013	<u>0</u>
TOTAL	2010 2011	87
	2011	7
	2012	9
	2013	<u>13</u>

TABLE NUMBER 3

**Status of Franchised Restaurants
For Years ~~2010~~2011 to ~~2012~~2013**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Arizona	2010 2011	46	27					613
	2011	6	7					13
	2012	13	3					16
	2013	16	1					17
Colorado	2010 2011	78	4					8
	2012	8	1					9
	2013	9	0					9
Florida	2011	8						8
	2012	8	4					9
Illinois	2010 2013	770	3					803
Illinois	2011	80	5					85
	2012	85	3	1				87
Indiana	2010 2013	2787	43					2890
Indiana	2011	28						28
	2012	28						28
Iowa	2010 2013	2628	43					2731
Iowa	2011	27						27
	2012	27	4					31
Kansas	2010 2013	031						431
Kansas	2011	4						4
	2012	4	1					5
Kentucky	2010 2013	405						405
Kentucky	2011	10						10
	2012	10						10
Michigan	2010 2013	2810	1					2911
Michigan	2011	29	2					31
	2012	31	5					36
Minnesota	2010 2013	5036	43					5139
Minnesota	2011	51						51
	2012	51	1					52
Missouri	2010 2013	2052	1					2053
Missouri	2011	20	3					23
	2012	23	1					24
Nebraska	2010 2013	4024	2					4026
Nebraska	2011	10						10
	2012	10						10
North Dakota	2010 2013	310						310
North Dakota	2011	3						3
Ohio	2011 2012	3						3
	2010 2013	63						63

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Ohio	2011	6	1					7
	2011 2012	7						7
South Carolina	2010 2013	<u>7</u>	<u>1</u>					<u>8</u>
South Carolina	2011							
	2012		1					1
South Dakota	2010 2013	10 <u>1</u>	<u>1</u>					10 <u>2</u>
	2011	10						10
South Dakota	2012	10	1					11
	2010 2013	9 <u>11</u>						9 <u>11</u>
Texas	2011	9						9
	2012	9	1					10
Tennessee	2010 2013	<u>10</u>	<u>1</u>					10 <u>11</u>
Tennessee	2011	1						1
	2012	1	1					2
Utah	2010 2012	<u>2</u>	<u>1</u>					<u>3</u>
Utah	2011		1					1
	2012	1	2					3
Wisconsin	2010 2013	112 <u>3</u>	<u>4</u>					112 <u>133</u>
Wisconsin	2011	113	1					114
	2012	114	4					118
Wyoming	2010 2013	117 <u>8</u>	<u>2</u>					117 <u>120</u>
Wyoming	2011	1						1
	2012	1						1
Total	2010 2013	404 <u>1</u>	<u>12</u>					404 <u>161</u>
	2011	416	20					435
Total	2012	435	29	1				464
	<u>2013</u>	<u>464</u>	<u>23</u>					<u>487</u>

TABLE NUMBER 4
Status of Company-Owned Restaurants
For Years ~~2010~~2011 to ~~2012~~2013

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Illinois	2010 2011	1					1
	<u>2012</u>	<u>1</u>					<u>1</u>
	<u>2013</u>	<u>1</u>					<u>1</u>

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Michigan	2011	1					1
	2012	1					1
Michigan	2010 2013	1				<u>1</u>	4 0
Ohio	2011	1					1
	2012	1					1
Ohio	2010 2013	1					1
Texas	2011	1					1
	2012	1					1
Texas	2010 2013	1					1
	2011	4					4
	2012	4					4
Wisconsin	2010 2011	5					5
	2011 2012	5					5
	2012 2013	5					5
TOTAL	2010 2011	9					9
	2011	9					9
	2012	9					9
	<u>2013</u>	<u>9</u>				<u>1</u>	<u>8</u>

TABLE NUMBER 5
Projected Openings
As of December 31, 2012

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	43	21	
Florida	5	43	
Idaho	1		
Illinois	45	+	
Indiana	35	+	
Kentucky Iowa	42		
Michigan	3		
Missouri	21		
Ohio		+	
South North Carolina	1		
Tennessee	1		
Texas		+	
Utah	23		
Wisconsin	1	+	
TOTAL	4531	44	0

Attached, as Exhibit C is a list, which identify the names, addresses and telephone numbers of our franchisees as of December 31, ~~2012~~2013. A list of all franchisees who have had a Culver's® franchise terminated, canceled or not renewed, or who have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the 12 month period ended December 31, ~~2012~~2013, or who have not communicated with us since December 31, ~~2012~~2013, also is included on Exhibit C.

If you buy a Culver's® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years current and former franchisees have signed confidentiality agreements. In certain instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Culver's® franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

As described in Item 11, we have established a franchisee advisory council. The franchisee advisory council does not have an address, telephone number, email address or Web address.

21. FINANCIAL STATEMENTS

Attached as Exhibit A are the audited Financial Statements of Culver Franchising System, Inc., as of December 31, ~~2012~~2013, December 31, ~~2011~~2012 and December 31, ~~2010~~2011.

22. CONTRACTS

Attached as Exhibit B is a copy of our current form of Franchise Agreement. Attached as Exhibit E is a copy of the Preliminary Agreement. A copy of the Acknowledgment of Franchisee is attached as Exhibit F.

23. RECEIPTS

The two copies of the Receipt of disclosure document are the last pages of this document (Exhibit K). One copy should be maintained as your file copy with the second as our copy.

EXHIBIT A
TO FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

EXHIBIT B
TO FRANCHISE DISCLOSURE DOCUMENT

CULVER'S® FRANCHISE AGREEMENT (AND EXHIBITS)



FRANCHISE AGREEMENT

BETWEEN

CULVER FRANCHISING SYSTEM, INC.
1240 Water Street
Prairie du Sac, WI 53578
(608) 643-7980

AND

_____ Name(s) of Franchisee

_____ Street

_____ City State Zip Code

() _____

Area Code Telephone

FRANCHISED LOCATION:

_____ Address

_____ City State Zip Code

() _____

Area Code Telephone

CULVER FRANCHISING SYSTEM, INC.

FRANCHISE AGREEMENT

INDEX

<u>SECTION</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1.	GRANT OF FRANCHISE; FRANCHISED LOCATION	3
2.	FRANCHISED LOCATION.....	4
3.	TERM OF FRANCHISE; RENEWAL RIGHTS	5
4.	OWNERSHIP AND USE OF MARKS.....	6
5.	SITE DEVELOPMENT	7
6.	INITIAL FRANCHISE FEE	8
7.	CONTINUING ROYALTY FEE	8
8.	ADVERTISING AND PROMOTION	9
9.	OUR/YOUR OBLIGATIONS	10
10.	OPERATION OF YOUR BUSINESS.....	12
11.	CONFIDENTIAL INFORMATION/IMPROVEMENTS	17
12.	INSURANCE; BONDING.....	17
13.	INDEPENDENT CONTRACTORS; INDEMNIFICATION	17
14.	SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS.....	18
15.	OUR RIGHT OF FIRST REFUSAL TO PURCHASE	19
16.	ASSIGNMENT OF FRANCHISE AGREEMENT	20
17.	OUR TERMINATION RIGHTS.....	22
18.	YOUR TERMINATION RIGHTS.....	23
19.	YOUR OBLIGATIONS UPON EXPIRATION OR TERMINATION.....	23
20.	YOUR COVENANTS NOT TO COMPETE; NON-SOLICITATION.....	24
21.	ARBITRATION; ENFORCEMENT.....	25
22.	SEVERABILITY AND CONSTRUCTION	26
23.	NOTICES.....	27
24.	ACKNOWLEDGMENTS.....	27

EXHIBITS

A – ADDENDUM TO LEASE

B – COLLATERAL ASSIGNMENT OF LEASE

C – PERSONAL GUARANTY

D – DESIGNATED TERRITORY

E – STORED VALUE CARD PARTICIPATION AGREEMENT

CULVER'S®
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is made and entered into this ____ day of _____, 20____, by and between CULVER FRANCHISING SYSTEM, INC., a Wisconsin corporation (“we” or “us”), and _____ (“you”).

BACKGROUND:

A. We franchise a food service business known as Culver's® restaurants (“Culver's® Restaurants”) which feature a wide assortment of menu items featuring our unique “ButterBurger®” and “Frozen Custard,” other hot and cold sandwiches, french fries and other prepared items, and beverages. We use and license certain trademarks, including Culver's®, and may in the future adopt, use and license additional or substitute trademarks, service marks, logos and commercial symbols in connection with the operation of Culver's® Restaurants (collectively, the “Marks”). Culver's® Restaurants use our proprietary recipes, methods, procedures, standards, specifications and the Marks (all of which are collectively referred to as the “Business System”), which we may periodically improve, further develop or otherwise modify.

B. You have had an adequate opportunity to be thoroughly advised of the provisions of this Agreement and our Franchise Disclosure Document and have had sufficient time and opportunity to evaluate and investigate the Business System and the procedures and financial requirements associated with the Business System as well as the competitive market in which it operates.

C. You desire to develop and operate a Culver's® Restaurant which will conform to the uniform requirements and quality standards of the Business System.

AGREEMENTS:

We and you agree as follows:

1. GRANT OF FRANCHISE; FRANCHISED LOCATION

A. Grant of Franchise. Subject to the provisions stated below, we grant to you a personal license and franchise to operate a Culver's® Restaurant (the “Restaurant”) which conforms to our Business System at the Franchised Location (as described in Section 2(A) below). You will operate the Restaurant under the Business System in strict compliance with the provisions of this Agreement and only at the Franchised Location.

B. Rights Reserved By Us. You acknowledge and agree that: (i) we and our affiliates may sell any products or services under trademarks other than the Culver's® Marks; (ii) we may grant other franchises or develop and operate company or affiliate owned Culver's® Restaurants anywhere outside of the Designated Territory (as defined in Section 2(B)); (iii) the designated area or trade area of a nearby Culver's® Restaurant may overlap with your Designated Territory; (iv) we and our affiliates may sell products or services under the Marks through any separate food service concept the primary service mark of which will not be the Culver's® Marks within and outside the Designated Territory; (v) we and our affiliates may sell products or services under the Marks through other channels of distribution, including the Internet (or any similar form of electronic commerce developed in the future); and (vi) we and our affiliates may establish, operate or grant a franchise or license to others to operate Culver's® Restaurants under the Business System and the Marks at any “Non-Traditional Location,” as defined below, within and outside the Designated Territory at any time. “Non-Traditional Locations” are defined as locations that we determine have a restricted trade area and include, for example, locations in the following types of environments: malls, universities, schools, hospitals, military bases, casinos, convention centers, arenas, stadiums, airports, health and fitness facilities, office buildings, theme parks, amusement facilities, toll

plazas and other locations that are not located on the street and the primary trade area generally is restricted to the environment in which the Non-Traditional Location is located.

2. FRANCHISED LOCATION

A. You are solely responsible for finding a site for the Restaurant which is acceptable to us. You are also solely responsible for determining that the proposed site meets all zoning and other applicable government requirements and for obtaining all required governmental permits. Our approval of your site for a Restaurant does not constitute a recommendation, assurance or endorsement of the success of the site. You may either lease or purchase the site on which the Restaurant will be located and may either lease or construct the building in which the Restaurant will be located. If you lease the premises of the Restaurant, we require that the lease contain the Addendum to Lease attached as Exhibit A to this Agreement. The Addendum to Lease must be signed by you and the landlord of the premises. You must provide us with copies of the executed Lease and the Addendum to the Lease for the premises of the Restaurant. If you have proposed and obtained our written approval of a location for the Restaurant prior to execution of this Agreement, that location is as follows, and shall be referred to as the "Franchised Location":

If you have not proposed and obtained our written approval of a location prior to the execution of this Agreement, then the following shall apply, and upon obtaining our written approval of a location for the Restaurant that location shall be referred to as the "Franchised Location":

1. Site Selection. You must use your best efforts to select a proposed site for the Restaurant that is acceptable to us. You must submit to us a description of the site and such other information or materials as we may reasonably require. We will not unreasonably withhold consent to a site within areas that we have approved for expansion.

2. Site Selection Assistance. We will furnish you with such consultation and on-site evaluation as we may deem advisable. We agree, at no cost to you, to review up to four sites selected by you as potential sites for the Culver's® Restaurant. We will charge you \$300 for the review of each additional site. You should consult with legal counsel and/or a financial manager in negotiating the lease or purchase of any site approved to by us. We may offer guidelines to you respecting such negotiations. We will not provide you with any financing for the site or serve as a guarantor for you.

3. Failure to Secure a Site. If you fail to secure an approved site within twelve (12) months following the date of this Agreement, then upon written notice to you we may terminate this Agreement at any time prior to you securing an approved site. In this instance, we will refund 50% of the Initial Franchise Fee. In order to secure a site, you must have obtained our written approval of the site in accordance with this Agreement, and either (a) own the site, or (b) you have a fully executed and binding lease for the site, without contingencies which remain unsatisfied.

B. Your Designated Territory. Subject to Section 1(B) of this Agreement, during the term of this Agreement, we will not establish for our own account, or franchise others to operate, a full service Culver's® Restaurant within a _____ () mile radius of the Franchised Location or the area described in Exhibit D attached hereto (the "Designated Territory"). The license granted to you under this Agreement is personal in nature, may not be used at any location other than the Franchised Location, does not include any right to sell products and Menu items identified by the Marks at any location other than the Franchised Location (except for authorized off-premise sales as noted in Section 2(C) below) or through any other channels of distribution including the Internet (or any other existing or future form of electronic commerce), and does not include any right to sell products and Menu items identified by the

Marks to any person or entity for resale or further distribution. You will not open any other Culver's® Restaurant in the Designated Territory. You will not have the right to subfranchise or sublicense any of its rights under this Agreement. You will not use the Franchised Location for any purposes other than the operation of a Culver's® Restaurant during the term of this Agreement.

C. Off-Premise Sales. You may, only with our prior written consent, sell certain Menu items under the Marks from authorized locations other than the Franchised Location within the Designated Territory (an "Off-Premise Sales"). In addition to any sales made from a location that is not the Franchised Location, Off-Premise Sales shall also include any catering, and any delivery of product beyond the boundaries of the Franchised Location. You may participate in Off-Premise Sales only pursuant to our then-current written guidelines and the provisions of this Agreement including, Sections 7, 8, 10 and 14. We may terminate your right to conduct the Off-Premise Sales at any time with ten (10) days' prior written notice.

D. Relocation of Restaurant. You will not relocate the Restaurant from the Franchised Location without our prior written consent. We may charge you a reasonable fee for any relocation services we provide in approving an acceptable new site for the Restaurant. If you relocate the Restaurant under this Section, the "new" Franchised Location, including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Culver's® Restaurants. If you must relocate the Restaurant because the Restaurant was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Restaurant at the "new" Franchised Location in the Designated Territory within twelve (12) months after you discontinue operation at the existing Franchised Location. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days written notice prior to the closing of the Restaurant at the Franchised Location, you have obtained a site acceptable to us, and you agree to open the "new" location for the Restaurant within fifteen (15) days after you close the "prior" Franchised Location and otherwise complies with any other conditions that we may reasonably require.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for fifteen (15) years, commencing on either (i) the date when you initially open your Culver's® Restaurant for business, or (ii) twelve (12) months following the date of this Agreement, whichever date shall first occur.

B. Renewal. You will have the right to renew your Culver's® franchise for the Franchised Location for one additional ten (10) year term, provided you meet the following conditions:

1. You have given us written notice at least six (6) months (but no more than twelve (12) months) before the end of the term of this Agreement of your intention to renew;

2. Throughout the term of this Agreement you have substantially and timely complied with all of the material provisions of this Agreement, including the payment of all monetary obligations you owe to us or your vendors and suppliers, and have complied with our then-current training requirements and material operating and quality standards and procedures;

3. In the event that we deem it necessary, you, the Operator of the Restaurant, and/or your supervising manager or any other Restaurant manager, have attended and successfully completed, a reconnection or new training course(s) or program(s), conducted by us or our designee, and we may charge a fee for such training courses and programs, and you are responsible for all transportation costs, food, lodging and similar costs you and your employees incur in attending such course(s) or program(s), and we have the right to determine the time and place of any such training course(s) or program(s);

4. You have at your expense made such reasonable capital expenditures approved by us necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, and equipment used in your business so that your business reflects the then-current physical appearance of new Culver's® Restaurants (for purposes of this Agreement "Restaurant premises" includes the real estate on which the Restaurant is located as well as all improvements thereto);

5. You have paid a Renewal Fee of Thirty Thousand Dollars (\$30,000) to us at least thirty (30) days before the initial (and any renewal) term of this Agreement expires;

6. You execute the standard franchise agreement then being used by us, which may be materially different from this form, including but not limited to changes to the Continuing Royalty Fee, Advertising Fee and Designated Territory; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current franchise agreement;

7. If you lease the premises of the Franchised Location, you secure a renewal or extension of the lease for the Franchised Location that extends to the end of the renewal term of this Agreement, or secure a new location within the Designated Territory acceptable to us; and,

8. You execute a general release of claims in a form satisfactory to us.

4. OWNERSHIP AND USE OF MARKS

A. Ownership. We are the owner of the Marks and we are the owner of all right, title and interest in and to the Marks and all past, present or future goodwill of the Restaurant and of the business conducted at the Franchised Location that is associated with or attributable to the Marks. Your use of the Trademarks will inure to our benefit.

B. Use. Your right to use and identify with the Marks and Business System applies only to the operation of the Restaurant at the Franchised Location, and exists concurrently with the term of this Agreement and only so long as you are in complete compliance with our quality standards. You will have the right to use the Marks and Business System only in the manner we direct and approve in writing. You may not use our Marks on television, radio, billboards or any other form of advertising or promotion without our consent. You will not have or acquire any rights in any of the Marks or Business System other than the right of use as governed by this Agreement. If, in our judgment, your acts infringe upon or harm the goodwill, standards of uniformity or quality, or business standing associated with the Marks and Business System, you must immediately, upon written notice from us and at your expense, modify its use of the Marks and Business System in the manner we direct in writing. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

C. Promotion. You will operate the Restaurant so that it is clearly identified and advertised as a Culver's® Restaurant. The style, form and use of the words Culver's® and Culver's ButterBurgers® & Frozen Custard, as well as any other Marks, in any advertising, written materials or supplies must, however, have our prior written approval, which approval will not be unreasonably withheld. You will use the name Culver's® and the other Marks which now or hereafter may form a part of the Business System, on all paper supplies, business cards, letterhead, uniforms, advertising materials, signs or other articles in the identical combination and manner as we may require in writing. You will comply with all trademark, trade name, service mark and copyright notice marking requirements.

D. Restrictions on Internet and Website Use. We retain the sole right to advertise the Business System on the Internet and social media which may currently exist or that may exist at any time in the future, including but not limited to Facebook, Myspace, Twitter, ~~LinkedIn~~ ~~text messaging~~, E-Club, Foursquare, Pinterest, Instagram, and YouTube (collectively, "Social Media"), and to create, operate, maintain and modify or discontinue the use of, a website and/or Social Media using the Marks. You may access our website and/or Social Media. Except as we may authorize in writing, however, you may not: (1) link or frame our website and/or Social Media; (2) create, operate, maintain and modify a website and/or Social Media using the Marks; (3) conduct any business or offer to sell or promote through coupons or otherwise, any products or services associated with the Restaurant, the Marks or the Business System on the Internet and/or Social Media (or similar form of electronic communication); or (4) create or register any Internet domain name in connection with the Restaurant. You may not register, as Internet domain names or other Social Media names, any of the Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

E. Identity. You will not use the words Culver, Culvers, Culver's® or Culver's Frozen Custard ButterBurgers® or any combination of these words or Marks in the name of your corporation, partnership, limited liability company or other similar entity. If required by applicable law, you agree to join us in any application to enter you as a registered or permitted user of the Marks with any appropriate government agency or entity. When this Agreement terminates or expires, we may immediately apply to cancel your status as a registered or permitted user and you must consent in writing to such cancellation. You must bear the expense of any of the foregoing recording activities. You must clearly indicate on your business checks, purchase orders, business cards, receipts, promotional materials and other written materials as we direct that you are the owner of the Restaurant and that you are a Culver's® franchisee. You must display a sign which is clearly visible to the general public indicating that the Restaurant is independently owned and operated.

F. Substitutions. We reserve the right to change the Trademarks at any time. You must, upon receiving written notice from us and at your expense, cease using the former Marks and commence using the changed Marks. You may not make any changes or amendments in or to the use of the Marks and Business System unless directed by us in writing.

G. Litigation. You have no obligation to and may not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You must, however, immediately notify us of any claims or complaints made against you respecting the Marks and must, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation we incur, including our attorneys' fees, specifically relating to the Marks, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement, in which case you must reimburse us for our fees and expenses. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

5. SITE DEVELOPMENT

A. Site Selection. If you do not have a premises identified at the time of our approval of your application, you must select a location in accordance with Section 2(A) which governs the site selection process.

B. Design and Appearance of Premises. The design and appearance of the exterior and interior of the Restaurant, including signs, are part of the Business System. It is essential to the integrity of the Business System that as great a degree of uniformity as possible be maintained among the various premises of Culver's® franchisees. We will provide, at no cost to you, preliminary conceptual site designs for up to four site locations. We will also provide revisions as may be required by local ordinance or review or a revision required to arrive at the best solution. A \$500 fee may be charged if a design is requested for a

fifth or subsequent site location. You agree that: (1) the Restaurant must be built and equipped pursuant to the building plans and site plans we approve and must meet the Restaurant specifications, described in the Manual, as to equipment, inventory, signs, fixtures, computer system, location and design and accessory features; (2) no material alteration or addition may be made to the premises without our prior written consent; (3) the painting and decor must be maintained at all times in such manner and form as we require; (4) you must follow our specific instructions respecting layout and character of interior fixtures and furnishings; and (5) only such signs, emblems, logos, lettering, and artwork as we require or periodically provide may be displayed on the Restaurant premises.

C. Permit Certification. Before occupying the Restaurant, you must file with us a statement certifying that you have complied with all applicable legal requirements relating to the building, including, but not limited to, the Americans With Disabilities Act and has obtained all required permits and certifications for operating the Restaurant, including zoning, access, sign and fire requirements.

6. INITIAL FRANCHISE FEE

A. Initial Franchise Fee. You will pay us a non-refundable Initial Franchise Fee of Fifty Five Thousand Dollars (\$55,000). If you have executed a "Preliminary Agreement" under which we conducted an evaluation of you (or your principals, if you are a partnership or corporate entity) financial, managerial and overall business ability and aptitude to operate a Culver's® Restaurant and paid to us a deposit as required by the Preliminary Agreement, this deposit will be deducted from the Initial Franchise Fee. The Initial Franchise Fee or, if applicable, the balance of _____ Dollars (\$ _____), is due and payable on the date of this Agreement.

B. Franchise Fee for an Additional Restaurant. During the term of this Agreement, if you satisfy our then-current qualifications for an additional franchise, which we have the absolute right to determine, you will pay a reduced Initial Franchise Fee of Forty-Five Thousand Dollars (\$45,000). If the franchisee that will operate the additional restaurant is a corporate entity, in order to qualify for the additional franchise, the Operator (as defined in Section 10(A)) of the additional restaurant also must be the Operator of the Culver's® Restaurant operated under this Agreement.

7. CONTINUING ROYALTY FEE

A. Continuing Royalty Fee. You must, for the term of this Agreement, pay to us a Continuing Royalty Fee equal to four percent (4%) of your Gross Sales (as defined below).

B. Payment. At our request, you must promptly execute and deliver to us appropriate pre-authorized check forms (or such other instruments or drafts that our bank requires) payable against your bank account, so that we may electronically collect (draft on your account by electronic withdrawal) the Continuing Royalty Fee and Advertising Fee due under Sections 7(A) above and 8(A) below. ~~You must~~ We will retrieve from your POS System the weekly statement of Gross Sales on Monday of each week for the preceding week. We will retrieve from your POS System the monthly statement of Gross Sales on the fifth (5th) day of each month for the preceding month. Upon our request, you must also report to us by the fifth (5th) day of each month (or the next business day following a holiday or weekend) your Gross Sales for the previous month. If we request and you fail to report your Gross Sales on a timely basis, we may estimate your Gross Sales to prepare a provisional estimate for billing purposes for that month. On the tenth (10th) day of each month (or the next business day following a holiday or weekend), we will bill you for all amounts due for the previous month and deposit into our account your pre-authorized check or other instrument for the amounts due either pursuant to your report or our estimate. Any unpaid Continuing Royalty Fee, Advertising Fee or other amounts past due and owing to us will bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. You must pay us for any and all costs we incur in collecting any unpaid and past due Continuing Royalty Fee or Advertising Fees, including reasonable attorneys' fees.

C. Gross Sales. The term "Gross Sales" means the total amount of all revenues you receive from the sale of goods and services, whether by cash, check, credit card or any other form of payment, in connection with the Restaurant or Culver's® Marks, including proceeds from business interruption insurance policies, ~~and the sale of any promotional or premium items, and Off-Premise Sales, if any.~~ Gross Sales will not include: (i) sales tax collected from customers and paid to appropriate tax authorities; (ii) the amount of refunds or allowances given to customers in good faith by you; and (iii) any amounts from coupon or discount programs that we approve for which you are not reimbursed.

8. ADVERTISING AND PROMOTION

A. National Advertising Fee. ~~From the commencement of~~ You must, for the term of this Agreement ~~through December 31, 2013, you will pay to us for deposit in an "Advertising Fund" an "Advertising Fee" of two percent (2%) of your Gross Sales, and during the remainder of the term of this Agreement you will,~~ pay to us for deposit in an "Advertising Fund" an "Advertising Fee" of two and one-half percent (2.5%) of your Gross Sales. We will place all Advertising Fees it receives in the Culver's® Advertising Fund and will manage such fund. Reasonable disbursements from the Advertising Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the Business System, including the cost of formulating, developing and implementing advertising and promotional campaigns; and the reasonable costs of administering the Advertising Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Advertising Fund. The Advertising Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Advertising Fund. We cannot insure that any individual franchisee will benefit directly or on a pro rata basis from the future placement of any such advertising in its local market. We will determine the methods of advertising, media employed and contents, terms and conditions of advertising campaigns and promotional programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the Advertising Fund for the previous fiscal year.

B. Cooperative Advertising. In the event that we establish a local or regional advertising cooperative, then in addition to the Continuing Royalty Fee and Advertising Fees and all other advertising, you will participate in, support and contribute a proportionate share, but no more than an amount equal to four percent (4%) of the Gross Sales for the Restaurant, of the cost of regional cooperative advertising programs we designate. A portion of your contribution will be used to cover administrative expenditures. We reserve the right to designate regional advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate.

C. Local Advertising Expenditures. You must spend at least one percent (1%) of your Gross Sales during each calendar year on advertising and promotional activities in your local geographic area. The advertising and promotional activities must comply with Section 8(E) below and qualify as "local advertising" in the Manual. Your local advertising expenditures will include advertising, merchandising, sales promotion and other forms of advertising at the local level. On a quarterly basis, you must provide us with an accounting of the monies that you have spent for approved regional cooperative advertising and local advertising for the preceding quarter.

D. Telephone Directory Advertising. You will, at your expense, maintain at least one (1) telephone number, listed in the "White Pages" and, at your option, in the annual yellow page listing in the primary yellow page directory serving the geographic area in which the Restaurant is located. Amounts spent for yellow page advertising, if any, will be credited towards your local advertising obligations described in Section 8(C) above. Any use of the Marks in the listing must comply with the requirements of Section 4.

E. Approved Advertising Materials. You may use only approved advertising and promotional materials, including but not limited to coupons. If you desire to use any unapproved advertising or promotional materials bearing the name Culver's® or other Marks, including but not limited to coupons, you must obtain our written approval before using any such materials, which approval will not be

unreasonably withheld. Also, you may not use any advertising or promotional materials outside of the Designated Territory, including but not limited to billboards, television, radio and intranet or electronic advertising, without our written approval before using any such materials, which approval will be withheld in our sole discretion.

F. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Culver's® Restaurant and must participate in all advertising and promotional programs we establish in the manner we direct. Specifically, you must, at your expense, participate in, and honor all provisions of, our "Gift Certificate Program" and "Gift Card Program" as further described in the Manual. Further, you must sign the attached Stored Value Card Participation Agreement in connection with the Gift Card Program. You further understand that we periodically may modify the Gift Certificate and Gift Card Programs. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Manual or otherwise in writing, however, you may not participate in any internet promotions (including coupon programs) that are not approved by us. Because enhancing our brand's competitive position and consumer acceptance for the brand's products as well as consistency between the brand's restaurants is a paramount goal of us and our franchisees, and because this objective is consistent with the long-term interest of the Business System overall, we may exercise rights with respect to the pricing of products to the fullest extent permitted by then-applicable law. These rights may include, but not be limited to, prescribing the maximum and/or minimum prices which you may charge customers for the products sold at your Restaurant, which prices you will be compelled to observe; engage in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your prices (such as "buy one, get one free"); and, otherwise mandating, directly or indirectly, the maximum and/or minimum price that your Restaurant may charge for one or more of the products it offers for sale.

9. OUR/YOUR OBLIGATIONS

A. Location. We will provide you with assistance respecting site location for and evaluation of the Restaurant. You acknowledge that our assistance in site location and acceptance of the premises does not constitute a representation or guaranty by us that the location will be a successful location for your Restaurant.

B. Building Plans, Equipment, Supplies and Inventory. We will provide you with our standard prototype building plans, including exterior and interior layouts, and will designate the standard fixtures, equipment, supplies, signs and initial inventory for use in the Restaurant. In the event that you want to make changes to our standard prototypical building plans, and if we decide to consider those changes, we may charge you up to \$5,000 to compensate us for our time and expense. Also, our standard prototype building plans are prototype plans only and you must insure that such plans are adjusted to meet location regulations, are consistent with our specification and standards, and are signed and sealed by a licensed design professional. Our standard prototype building plans are intended to convey our minimum standards to your architect. They are not intended to be bid documents or construction documents. We may charge you up to ~~\$20~~30,000 to compensate us for our time and expense if the project is bid and/or built without complete and proper building, HVAC, electrical, and plumbing plans prepared and sealed by a licensed design professional. You may purchase only such types, models or brands of fixtures, furniture, equipment, signs and supplies that we approve for Culver's® Restaurants as meeting its specifications and standards, including specifications and standards for quality, design, warranties, appearance, function and performance. In the event of a building conversion, we will provide conceptual sketches for one conversion property at no charge. Sketches are intended to convey our minimum standards to your architect and are not intended to be bidding or construction documents. If we develop a suitable plan and you fail to purchase and develop your first property and choose to evaluate a second property for building conversion, an additional design fee of up to \$5,000 may be charged to compensate us for our time and expense.

C. Initial Training. You must, at your expense, comply with all of the training requirements we prescribe for the Restaurant to be developed under this Agreement. We will provide a two (2)-part initial

training program at a Culver's® Restaurant that we designate. Although you do not pay a fee to attend training, you are responsible for travel costs, room and board, the salaries, fringe benefits and other expenses you and your employees incur in attending both sessions of the training program. The first session of the training program is a sixteen (16)-week management training program for the franchise owner or principal ("Operator" as defined in Section 10(A) below) of a Franchisee entity. The second session, a seven (7)-week training program for a minimum of five (5) of your key Restaurant managers. The session is scheduled by you, performed by your managers, and conducted by existing Culver's® franchisees at a location assigned by us. You must successfully complete both sessions of the training program. If you fail to successfully complete both sessions, you will not be permitted or authorized to open your Restaurant or manage your business and we may terminate this Agreement pursuant to Section 17 below.

You may terminate this Agreement if, at any time prior to attending the fifth (5th) week of the sixteen (16)-week management training program, you determine you do not want to move forward with the franchise relationship with us and you notify us in writing of your intent to terminate this Agreement under this paragraph. In this instance, we will refund 75% of the Initial Franchise Fee. You must comply with all of our requirements related to termination, including those in Sections 19 and 20 and must sign a general release in the form we prescribe.

D. Pre-Opening and Opening Training and Assistance. We will assist in scheduling the opening of the Restaurant. You will not open or commence business operations until we have approved the opening. ~~We~~For your first Culver's® restaurant we will, at no charge, provide up to one week of training for your initial management employees and restaurant crew at the Restaurant before the opening of the Restaurant. In addition, for your first Culver's® restaurant we will provide up to two weeks of training and assistance for your initial management employees and restaurant crew at the Restaurant following the opening of the Restaurant.

E. Manual. We will provide you electronic access to the operations manual (the "Manual"), describing the required and suggested operational policies, standards, requirements and practices of the Business System. You will comply with all provisions of the Manual. We reserve the right to revise the Manual at any time without notice.

F. Additional Training Programs. We may periodically make available to you additional mandatory and optional training courses or programs during the term of this Agreement. We may require you, the Operator, your supervising manager or any other Restaurant manager to attend such additional training courses or programs. We may charge a fee for such training courses and programs. You are responsible for all transportation costs, food, lodging and similar costs you and your employees incur in attending such courses or programs. We have the right to determine the time and place of both mandatory and optional training courses and programs.

G. Ongoing Assistance. During the operation of the Restaurant, we will: (1) inspect the Restaurant as often as we deem necessary and provide written reports to you on operations; (2) provide, upon your written request, advisory services in person or by e-mail or telephone pertaining to operation of your business if we deem necessary; (3) periodically make available to you all changes, improvements and additions to the Business System to the same extent as made available to other franchisees; (4) provide you access to all supplements and modifications to the Manual; and (5) develop national advertising production materials. We and you also may agree that we provide management assistance and other services, in addition to the usual initial assistance and supervision we provide to all franchisees, for additional agreed upon compensation.

H. Access to Information and Assistance. You will not have access to the entire Business System until the Operator has begun the sixteen (16)-week management training program. Before the Operator begins the sixteen (16)-week management training program, we will provide you with assistance respecting site location and building plans as described in Sections 9(A) and 9(B) above. However, you will not have access to the rest of the Business System, including the Manual, the Culver's® intranet system, marketing

and advertising programs and materials, and Culver's® franchisee communications and meetings until you have begun the sixteen (16)-week management training program.

I. Electronic Training. You must participate in any electronic training program provided through our ~~intranet~~ online support center, the Internet or some other form of electronic communications which we develop and/or select for use in the operation of Culver's® Restaurants, including all future updates, supplements and modifications ("E-Learning Program"). We reserve the right to charge you, or require you to pay a designated supplier, a reasonable monthly fee for access to an E-Learning Program. In addition, you may be required to enter into a user agreement specified by us or a designated supplier in connection with your use of the E-Learning Program. We may access certain information and data produced by you in using the E-Learning Program.

10. OPERATION OF YOUR BUSINESS

The Marks and Business System licensed to you represent valuable goodwill distinctive of our business and reputation. We will periodically develop uniform standards of quality and service regarding the business operations of a Culver's® Restaurant so as to protect (for the benefit of all franchisees and us) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and Business System. To insure that all franchisees maintain the uniform requirements and quality standards for goods and services associated with the Culver's® Restaurants and with the Marks and Business System, you must maintain the uniformity and quality standards we reasonably require for all products and services and agree to the following provisions:

A. Managerial Responsibility. During the term of this Agreement, ~~the parties who have signed this Agreement on your behalf~~ you must personally manage and operate ~~be the full-time on-site operator of the Restaurant and may not, without our prior written consent, delegate #your authority and responsibility respecting~~ with respect to such management and operation. If you are a corporate entity or a partnership, one individual (the "Operator") must retain at least fifty percent (50%) of the equity and voting interest in such corporation or partnership and will be obligated to personally manage and ~~operate~~ be the full-time on-site operator of the Restaurant. In the alternative, the Operator may be an individual ~~that~~ who retains at least twenty-five percent (25%) of the equity and voting interest in the corporate entity or partnership, so long as that individual also has at least twenty-five percent (25%) ownership in the building and real estate, and personally manages and is the full-time on-site operator of the Restaurant. The proposed Operator must be approved in advanced by us and must demonstrate, to our satisfaction, that he/she satisfies our managerial and business standards, and has the aptitude and ability to operate and supervise the Restaurant. The Operator must attend and successfully complete our training programs.

B. Design and Appearance of Premises. The design and appearance of the exterior and interior of the Restaurant, including signage, are part of the Business System. It is essential to the integrity of our Business System that as great a degree of uniformity as possible be maintained among the various premises of Culver's® franchisees. You agree that: (1) no material alteration or addition may be made to the premises without our prior written consent; (2) the painting and décor must be maintained in such manner and form as we may reasonably require; (3) you must follow our specifications and instructions respecting layout and character of interior fixtures and furnishings; (4) only such signs, emblems, logos, lettering, and artwork as we may reasonably require or periodically provide may be displayed on the Restaurant premises; and (5) you must submit a landscaping plan for the premises of the Restaurant to us for approval before commencing business at the Restaurant. Following commencement of operations at the Restaurant, you must maintain landscaping at the premises in such form and manner as we may reasonably require.

C. Pre-Opening Requirements. You will provide us with at least thirty (30) days prior written notice of the proposed date on which you intend to commence business at the Restaurant. You must comply with all of our pre-opening requirements stated in this Agreement and in the Manual. You cannot open the Restaurant until: (i) we have confirmed that the Restaurant, as completed, fully complies with our specifications; (ii) you provide evidence that you have adequate staffing to commence business at the

Restaurant; (iii) at least the minimum number of four (4) of your employees that we require from time to time have been certified in the sanitation certification program for the state in which the Restaurant is located, or if that state does not have a specific program, then those employees must be certified in the national sanitation program, and in any event, you must have enough employees certified in such state or national sanitation program to ensure that at least one (1) employee who is working each shift is certified in such state or national sanitation program; (iv) all pre-opening training for you and your managers and other employees have been completed to our satisfaction; and (v) you have complied with all other requirements described in the Manual or otherwise provided in writing by us. You will not commence business at the Restaurant unless our representative is present. If we cannot provide our representative on the proposed opening date of the Restaurant, we may require you to reschedule such opening date to a date on which our representative can be in attendance. You must commence business at the Restaurant within fourteen (14) days following notice from us that you have satisfied all pre-opening requirements for the Restaurant.

D. General Operation. You must use the Marks and Business System in strict compliance with the standards, operating procedures, specifications, requirements and instructions required of all Culver's® franchisees, which we may periodically amend and supplement. You must ensure that, during the operation of the Restaurant, any new Restaurant managers will attend all required training programs offered by us. If we train any additional Restaurant managers or other personnel after the Restaurant commences operations, you must pay our standard training fees then in effect. You are responsible for all travel and living expenses incurred by such trainees.

E. Restaurant Menu and Services. You may sell only those products and services we approve in writing and must offer for sale all products and services we require (the "Menu"). We periodically may revise the Menu that you may offer at the Restaurant and will notify you in writing. You must comply with these changes at your expense. In addition, you must obtain our prior approval for all Restaurant menus describing the Menu items (including photographs and graphics). You may only sell the Menu items to your retail customers at the Franchised Location and may not sell any products or services at retail or wholesale at or from any other location without our prior written consent.

F. Approved Products and Supplies. We have developed and will continue to develop certain proprietary food products which will be prepared by or for us following our proprietary recipes and formulas. We also have developed and will continue to develop standards and specifications for food products, spice mixes, seasonings, flavorings, marinades, materials and supplies used in preparing, serving and delivering prepared food products authorized for sale at Culver's® Restaurants. We have approved and will review and continue to approve suppliers of the foregoing products, supplies and materials that meets our standards and requirements (as described in the Manual or as we otherwise may provide in writing), including those relating to quality, quantity, prices, volume capability, and other criteria. You agree to: (a) purchase our private label food products, materials, supplies, and proprietary food products developed by or for us whether or not pursuant to a special recipe or formula or bearing the Marks (collectively "Special Products") only from us or our designees; and (b) purchase only from suppliers that we have approved, all other goods, food products, ingredients, seasonings, marinades, materials and supplies used in preparing food products at the Restaurant and equipment, menus, paper and plastic products, supplies and other materials (collectively "Other Products and Materials"). We will designate in the Manual which food products constitute Special Products as well as the source of such Special Products. We periodically may modify the list of approved or required suppliers. You agree that we may designate a single source of supply for products and services, including Special Products, and that we may be that source. We advise you that we may receive a fee or other consideration from suppliers or manufacturers of various products and services respecting sales of products and services to you. You agree that we are entitled to such consideration and that we have the right to negotiate and determine the amount of such consideration. If you desire to acquire any products or services from any source other than a supplier we approve, you must obtain our written consent before using such supplier. We will use our reasonable best efforts to notify you within ninety (90) days after receipt of all requested information and materials whether you may purchase the designated products or services from such supplier. If you do not receive a notice of approval or disapproval within such ninety (90) day period, you may purchase such products from such supplier,

provided that our failure to give our approval or disapproval will not be deemed to represent our approval of the source. We may require you to reimburse us for our reasonable costs incurred in evaluating, inspecting and supervising such supplier.

G. Maintenance of Premises; Modernization. You must, at your expense, repair, paint and keep in an attractive, clean and sanitary condition the interior, exterior, and, where applicable, the grounds of the Restaurant premises, including but not limited to the parking lot and walkways and all other facilities used by the Restaurant. You must replace all floor coverings, wall coverings, light fixtures, furniture, room furnishings, fixtures and other décor items as such items become worn out and soiled or are in disrepair. All replacement fixtures, equipment, décor items, supplies and other items used in the Restaurant must comply with our then-current standards and specifications. You must insure that all equipment will be kept in good working order and will meet our quality standards. In addition, from time to time as we require, you periodically must make reasonable capital expenditures to remodel, modernize and redecorate the Restaurant and to replace and modernize the furniture, fixtures, signs, supplies and equipment used in the Restaurant so that the Restaurant will reflect the then-current physical appearance of new Culver's® Restaurants. All remodeling, modernization or redecoration of the Restaurant must be done pursuant to our then-current standards and specifications and only with our prior written approval. You agree to commence remodeling activities within ninety (90) days after written notice from us, although you will not be required to completely remodel, modernize and redecorate the Restaurant more than once every five (5) years during the term of this Agreement. Each and every transfer of any interest in this Agreement or your business governed by Section 16 or renewal covered by Section 3 is expressly conditioned upon your compliance with these requirements at the time of transfer or renewal.

H. Compliance with Laws. You must, at your expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the construction, remodeling and operation of the Restaurant, including but not limited to any and all food service licensing laws, the Americans with Disabilities Act, all laws relating to employees, and all applicable state and federal environmental and tax laws. You will, at your expense, be exclusively responsible for determining, obtaining and maintaining the licenses and permits required by law to operate the Restaurant.

I. Payment of Liabilities. You will timely pay all of your noncontested obligations and liabilities due and payable to us, suppliers, lessors and creditors. You agree that we may, without your prior consent, obtain from your creditors any and all information relating to your payment history or accounts receivable balances with such creditors.

J. Taxes. You must promptly pay all federal, state and local taxes arising out of the operation of your business. We will not be liable for these or any other taxes and you must indemnify us for any such taxes that may be assessed or levied against us which arise or result from your business.

K. Our Reimbursement for Taxes. If any "franchise" or other tax which is based on the Gross Sales, receipts, sales, business activities or operation of the Restaurant is imposed on us by any taxing authority, you must reimburse us for all such taxes we pay and all related costs that we incur. You must pay us all amounts due within ten (10) days following your receipt of notice from us that such amounts are due.

L. Uniforms. Whenever working in the Restaurant you and your employees must wear only such uniforms as we may designate or approve.

M. Hours of Operation; Personnel. The Restaurant must be open for business for such days and hours as we may reasonably designate although you have the option to close the Restaurant on certain holidays as set forth in the Manual. Any variance from this provision must be authorized by us in writing, including any closings due to construction or for employee appreciation. If you close your Restaurant on a holiday or any other day with our written consent, you must notify your customers of the closing prior to the date. You acknowledge and agree that if the Restaurant is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for

in this Agreement, to terminate this Agreement. Acts of God, war, strikes, riots or other force majeure cause preventing you temporarily from complying with the foregoing will suspend compliance for the duration of such interference.

You must, at all times when open for business, have a person designated as a management person on duty who is responsible for the business operations of the Restaurant. You must maintain, at all times, at least the minimum number of four (4) employees that we require from time to time who are certified in the sanitation certification program for the state in which the Restaurant is located. If a state does not have a specific program, the employees must be certified in the national sanitation program. You must ensure that at least one employee working each shift has been certified in such state or national sanitation program. You must employ and maintain a sufficient number of adequately trained and competent employees to provide efficient service to your customers.

N. Vending, Gaming and Similar Machines Prohibited. You may not install or maintain on the Restaurant premises any newspaper racks, video games, jukeboxes, gum machines, vending machines, ATM machines, telephone booths or other similar devices that we periodically identify, without our prior written consent.

O. Our Inspection Rights. We or our authorized representative have the right, for inspection purposes, to enter your Restaurant at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving. This inspection right includes our right to photograph the Restaurant premises and Restaurant employees at all reasonable times and to interview your employees and independent contractors. In addition, you must operate and maintain the Restaurant at all times in compliance with any and all applicable health and sanitary standards prescribed by governmental authority. You also must comply with any higher standards that we may periodically require. You must provide to us, within five (5) days after receipt, all inspection reports, warnings, citations or ratings resulting from any governmental agency inspection of the Restaurant. Any failure of an inspection is a default under this Agreement. Further, if we determine that any condition in the Restaurant presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Restaurant until the situation is remedied to our satisfaction.

P. Manual. To protect our reputation and goodwill and to maintain uniform operating standards under the Marks and Business System, you must conduct your business in strict compliance with our Manual we provide. You will have access to the Manual on loan from us. You must treat the Manual as confidential, and must use all reasonable efforts to maintain them as secret and confidential. The Manual will remain our sole property. We may periodically revise the contents of the Manual. You agree to comply with each new or changed standard in the Manual. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual we maintain will control. Any required standards in the Manual exist to protect our interests in the Business System and the Marks and not for the purpose of us establishing any control or duty to take control over those matters that are reserved to you.

Q. Lease. To the extent you lease the premises for the Restaurant, the original lease or sublease, as well as any proposed modifications and any new proposed lease or sublease, must be approved by us before its execution, but such approval will not be unreasonably withheld. You must provide us with an executed copy of any lease or material modification for the Restaurant. We make no guarantees concerning the success of the Restaurant located on any site we consent to. You will be solely responsible for finding a suitable site and negotiating a lease for such site. Your lease must contain a signed Addendum to Lease, attached as Exhibit A. You agree to execute periodically (or have the appropriate third party execute) all documents we reasonably request to carry out the parties' intentions under this Section, including a Collateral Assignment of Lease for the Restaurant premises, attached as Exhibit B.

R. Point-of-Sale System. You must use in the Restaurant the point-of-sale system, including all existing or future communication or data storage systems, components and associated service, which we have developed and/or selected for the Business System (the "POS System"). The POS System developed for use in your business includes a designated electronic point-of-sale cash register, together with approved computer hardware equipment and software to operate the Restaurant. The POS System may include a proprietary software program developed for us (the "Proprietary Software"). You must lease any Proprietary Software from us or a designated third party supplier, which software will remain the confidential property of us or our third party supplier. You agree to sign all computer software access or license agreements and related documents required by us in connection with your use of any Proprietary Software. We reserve the right to charge you a reasonable monthly fee for computer software support that we or our designee provides. We also reserve the right to assign our rights, title and interest in any Proprietary Software or related software license agreement to a third party we designate. You must have at the Restaurant Internet access with a form of high speed connection as we require, and you must use an e-mail address that we select for communication with us. We may access information and data produced by your POS System. The computer hardware and software components of the POS System must conform with specifications we develop. You must utilize and pay for all future updates, supplements and modifications to the POS System. In addition, you must take steps necessary to comply with the "Payment Card Industry Data Security Standard" ("PCI DSS"). You must validate your compliance with the PCI DSS annually and subject your POS Network to quarterly vulnerability scans. Also, you must put in place proper network security measures required by PCI DSS. We require that you purchase PCI DSS validation, vulnerability scanning services, and network security measures from a supplier we approve.

S. Participation in Website or Other Online Communication System. You must, at your expense, participate in a Culver's® website listed on the Internet, and Culver's® Social Media, or other online communications and participate in an intranet system we control. We will determine the content and use of a Culver's® website, Culver's® Social Media and intranet system and will establish the rules under which franchisees may or must participate. We may require you to pay to us or a third party supplier a monthly fee to cover our costs in developing, maintaining and/or hosting the website, intranet systems, and any other online communication systems or Social Media. We will give you sixty (60) days written notice of the implementation of this fee. We will retain all rights relating to the Culver's® website, intranet system, and Culver's® Social Media, and may alter or terminate the website, intranet system, or Social Media. Your general conduct on the Internet, Culver's® intranet system, and Culver's® Social Media, and specifically your use of the Marks or any advertising on the Internet or Social Media (including the domain name and any other Marks we may develop as a result of participation in the Internet or Social Media) will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the Culver's® website, intranet system, and Culver's® Social Media is considered Confidential Information (as defined in Section 11 below), including access codes and identification codes. Your right to participate in the Culver's® website, intranet system, Culver's® Social Media, or otherwise use the Marks or Business System on the Internet will terminate when this Agreement expires or terminates.

T. Telephone Numbers. You must install and maintain at least ~~three (3)~~ two (2) telephone lines. ~~Two (2) lines~~ One (1) line will be dedicated to your business telephone and one (1) line will be a shared line used for your telephone and facsimile machine ~~and your modem~~. ~~We may in the future require additional telephone lines for the Restaurant.~~

U. Enforcement. You acknowledge that because uniformity under many varying conditions and circumstances may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any franchised business, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the franchised business. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

11. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Non-Disclosure of Confidential Information. You and those individuals who have signed the Personal Guaranty attached hereto as Exhibit C may not, during or after the term of this Agreement, communicate, disclose or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the Business System which may be communicated to you. You may disclose such confidential information only to such of your employees as must have access to it to operate your business. Any and all information, knowledge and know-how, including the Manual, any other manuals created for use in operating the Restaurant, methods, menus, Special Products, supplier and customer lists, procedures, specifications, techniques, and other data which we copyright or designate as confidential will be deemed confidential for purposes of this Agreement.

B. Confidentiality Agreements. All of your employees who have managerial duties respecting the Restaurant and who have access to our confidential information, as well as all corporate officers, directors and shareholders if you are a corporation (all partners if you are a partnership), must sign agreements in a form satisfactory to us, agreeing to maintain the confidentiality, during the course of their agreement and thereafter, of all information we copyright or designate as confidential and proprietary. Copies of the executed agreements must be kept for 5 years after any such employee, officer, director, shareholder or partner leaves their employment or affiliation with you and must be provided to us upon request.

C. Improvements. You must fully and promptly disclose to us, all ideas, concepts, methods, techniques, improvements, additions and customer data relating to the development and/or operation of a Culver's® Restaurant or the Business System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Restaurant, or any advertising or promotion ideas related to the Restaurant (collectively the "Improvements") conceived or developed by you and/or your employees during the term of this Agreement. You agree that we have the perpetual right to use and authorize others to use the Improvements without any obligation to you for royalties or other fees.

12. INSURANCE; BONDING

You must obtain and maintain in force (under policies of insurance issued by a reputable carrier having financial rating required by us from time to time) and pay the premiums for insurance in such types and amounts as we may reasonably require as periodically communicated to you in writing. Such insurance policies must expressly protect both you and us and must require the insurer to defend both you and us in any action. At least once per year you must furnish to us a certificateproof of insurance ~~as stated above~~ in the form we require, naming us as an additional insured, and providing that such policy will not be canceled, amended or modified except upon thirty (30) days' prior written notice to us. Maintenance of the insurance requirement will not relieve you of or limit the obligations of indemnification stated in Section 13 below. If you fail to obtain or maintain in force any insurance as required by this Section or to furnish any certificateproof of insurance ~~required hereunder~~ we require, we may, in addition to all other available remedies, obtain such insurance ~~or certificates~~, and you must promptly reimburse us for all insurance premiums and other costs incurred in obtaining such insurance. This provision will not be deemed to impose on us any duty or obligation to obtain or maintain any specific forms or amounts of insurance for you or as an undertaking or representation by us that such insurance as you may obtain will insure you against all insurable risks of loss which may arise out of your operation of the Restaurant.

13. INDEPENDENT CONTRACTORS; INDEMNIFICATION

A. Relationship. We and you are independent contractors. Neither we nor you may make any agreements, representations or warranties in the name of or for the other or that their relationship is other than franchisor and franchisee. Neither we nor you will be obligated by or have any liability under any agreements, representations or warranties made by the other. We do not have the right to hire or fire your employees, and you acknowledge and agree that you will never contend otherwise. You alone will be responsible for all loss or damage arising out of or relating to the operation of your business or arising out of

the acts or omissions of you or any of your agents, employees or contractors in connection with the preparation and sale of products by you, and for all claims for damage to property or for injury or death of any persons directly or indirectly resulting therefrom.

You must defend us, any affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (“Indemnitees”), and indemnify and hold harmless us and the Indemnitees to the fullest extent permitted by law, from all claims, losses, damages, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to any element of your establishment, construction, opening or operation of your Restaurant or arising out of the operation of your business or breach of this Agreement, including all costs we reasonably incur in the defense of any such claim brought against it or in any action in which it is named as a party (including reasonable attorneys’ fees). You must provide us with written notice of any such claim, loss, damage, liability or cost that could be a basis for the claim for indemnification by us or any of the other Indemnitees. At our option and at your risk and expense, we or any of the other Indemnitees may elect to assume the defense or settlement of the claim or action, provided that we will keep you informed respecting the defense or settlement of the claim or action. Our or any of the other Indemnitees undertaking of defense or settlement will not diminish your obligation to indemnify us or the other Indemnitees and to hold us or them harmless. We or the other Indemnitees will have the right, at any time, to offer, order, consent or agree to settlements or take any other remedial or corrective actions respecting the claim or action if, in our sole judgment, there are reasonable grounds to do so.

We will indemnify you against and reimburse you for any obligations or liability for damages solely arising from or related to our breach of this Agreement, our gross or negligence or willful misconduct, and for costs you reasonably incur in the defense of any such claim brought against it or in any action in which it is named as a party, provided that we will have the right to participate in and, to the extent we deem necessary, to control any litigation or proceeding which might result in liability of or expense to you subject to such indemnification.

The indemnities and assumptions of liabilities and obligations stated in this Agreement will continue in full force and effect following the expiration or termination of this Agreement.

B. Enforcement. The non-prevailing party must pay all costs and expenses, including reasonable attorneys’ fees that the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

14. SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS

A. Sales Reports. You must maintain an accurate written or electronic record of daily, weekly and monthly Gross Sales, which must include all Off-Premise Sales and any other information we periodically require, and all applicable promotion tracking information, including coupons for redemption by us. You must provide to us access to your POS System to allow us to retrieve Gross Sales and other required information relating to your business. We will retrieve from your POS System the weekly statement of Gross Sales on Monday of each week for the preceding week. We will retrieve from your POS System the monthly statement of Gross Sales on the fifth (5th) day of each month for the preceding month. We reserve the right to modify our method of obtaining such information from you and impose additional recordkeeping procedures.

B. Financial Statements. You must, at your expense, provide us with monthly and annual financial statements and such other financial reports as we specify, using the forms and chart of accounts we require. All financial information provided to us under this Section must be presented in the form we periodically require in writing. You must deliver the monthly financial information to us by the thirtieth (30th) day of

the month following the end of the preceding month. The annual financial statement must be provided within ninety (90) days following your fiscal year end.

C. Tax Returns. You must, within ninety (90) days after your fiscal year end, furnish us with signed copies of your annual federal and state income tax returns for your business, and copies of any other federal, state or local tax returns filed by you for your business, together with proof that you have paid all federal and state income, payroll and sales taxes due. At our request, you must provide us with the tax returns of each Principal Owner (as defined below in Section 16(H)).

D. Audit Rights. You must make all of your financial books and records available to us or our designated representative at all reasonable times for review and audit by us or our designee. You must keep your financial books and records for each fiscal and calendar year in a secure place, and in the form we direct, for at least five (5) years or longer if required by law. You must, upon fifteen (15) days' notice from us, deliver to or otherwise make available to us or our representatives all of your financial books and records for audit. If an audit conducted by us results in a determination that the Continuing Royalty Fees or Advertising Fees paid to us are deficient (underpaid) by more than two percent (2%), you must pay us for the reasonable costs and expenses that we have incurred as a result of the audit. If pursuant to audits, the Continuing Royalty Fees have been deficient by more than two percent (2%) twice or more within any five (5) year period, this will be considered a material breach of this Agreement.

15. OUR RIGHT OF FIRST REFUSAL TO PURCHASE

You may not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of: (1) any interest in or any part of the Restaurant or this Agreement, or (2) any controlling interest (whether through one or more related transactions) in your business or the assets of your business to any third party, without first offering the same to us in writing, at the same price and on the same terms as stated in the proposed third-party offer. Your written offer to us must contain all material terms and provisions of the proposed sale or transfer, including the total offer price.

In the event of (i) a transfer or assignment of any shareholder's controlling interest in the stock or similar interest in you, or (ii) your or controlling shareholder's or controlling owner's insolvency or the filing of any petition by or against you or the controlling shareholder under any provisions of any bankruptcy or insolvency law, the offer will be for you and the controlling shareholder's interest in this Agreement, and the building equipment, inventory, fixtures, and leasehold interest used in the operation of the Restaurant. An amount and terms of purchase must be established by a qualified appraiser selected by the parties. If the parties cannot agree upon the selection of such an appraiser, the American Arbitration Association will appoint one upon petition of either party to appoint an appraiser to establish such price in accordance with the rules and procedures of the Association. We must receive a statement in writing incorporating the appraiser's report.

Upon our receipt of written notice specifying the proposed price and terms of a proposed sale or transfer of your business or the controlling interest therein, we will give you written notice within forty-five (45) days whether we accept the offer. The acceptance will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we waive our right to purchase or fail to accept the offer within the forty-five day period, you may complete the sale or transfer of the business or interest according to the terms described in the written notice to us but not upon more favorable terms. If the terms of the proposed sale are materially changed or if you do not complete the proposed sale within ninety (90) days following our waiver of our right to purchase (either by written notice or lapse of time as stated above), such modification of terms or lapse of time will be deemed a new proposal and we will again have such right of first refusal pursuant to this Section. Any such sale, transfer or assignment to a third party is subject to the provisions stated in Section 15 of this Agreement. Our nonacceptance of your written offer will not affect or change your obligations under this Agreement.

16. ASSIGNMENT OF FRANCHISE AGREEMENT

A. By Us. This Agreement may be assigned and transferred by us and will benefit our successors and assigns. Any such assignment or transfer will require the transferee to fulfill our obligations under this Agreement.

B. By You. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Restaurant. Further, the rights and duties set forth in this Agreement are personal to you. Consequently, neither your interest in this Agreement nor in the Restaurant may be transferred or assigned to or assumed by any other person or entity (the "transferee"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 15, and if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in Section 16(D) is paid, and the transfer conditions described in Section 16(E) are satisfied. Furthermore, you may not pledge your interest in this Agreement to any other party or otherwise allow this Agreement to become encumbered or be included as collateral on any loan. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or other encumbrance, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 16:

1. Any change or any series of changes in the percentage of the franchisee entity owned, directly or indirectly, which results in a transfer of 25% or more of the stock or ownership interest in such franchisee entity;
2. Any change in the general or limited partner of a franchisee that is a general, limited or other partnership entity which results in a transfer of 25% or more of the beneficial or equitable interest in such partnership entity; or
3. For purposes of this Section 16, a pledge or seizure of any of your ownership interests, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 15, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in Section 16(D), and satisfy the transfer conditions described in Section 16(E). In addition, you or the transferee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you. Further, even if an individual transfer of a 10% or more ownership interest does not trigger the transfer conditions set forth in Section 16(E), you still must receive our prior written consent to the transfer of the 10% or more ownership interest in accordance with our written policies; you must sign a release; and the individual acquiring the ownership interest must sign a personal guarantee.

You may not place in, on or upon the location of the Restaurant, or in any communication media or any form of advertising, any information relating to the sale of the Restaurant or the rights under this Agreement, without our prior written consent.

C. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Section 16 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 15 must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement and your most recent fiscal year-end

financial statements) or other required information. Any agreement used in connection with a transfer will be subject to our prior written approval, which approval will not be withheld unreasonably. You must immediately notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to terminate this Agreement without an opportunity to cure as set forth in Section 17(A).

D. Transfer Fee. You must pay us a transfer fee equal to Ten Thousand Dollars (\$10,000) plus our actual costs of any attorneys' fees related to such transfer. If the transferee is an existing Culver's® franchisee, the transfer fee will be Five Thousand Dollars (\$5,000) plus our actual costs of any attorneys' fees related to such transfer. If the transferee is the spouse or child of an individual Franchisee or principal officer or director of an incorporated Franchisee or partner in a partnership Franchisee, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 15. If, however, the transfer is part of a trust, you must pay us our legal fees to effectuate the transfer. In any case, the spouse or child must otherwise satisfy the transfer conditions stated below.

E. Conditions to Transfer or Assignment. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

1. All of your accrued monetary obligations to us have been satisfied, and you are not in default under this Agreement;
2. You execute a written agreement in a form satisfactory to us, in which you covenant to observe all applicable post-term obligations and covenants contained in this Agreement;
3. The transferee executes our then-current standard form of franchise agreement (which may provide for different royalties, advertising contributions, duration, and other rights and obligations from those provided in this Agreement). The term of the new franchise agreement will be the balance of the existing term in the executed franchise agreement prior to the assignment;
4. The transferee is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial, and business standards for new franchisees, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business;
5. The transferee (and any manager of the transferee that will manage the Restaurant) successfully completes our training program;
6. You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, shareholders and employees, in their corporate and individual capacities;
7. The transferee does not own, operate, franchise, develop, manage or control any business that is in any way competitive with or similar to a Culver's® Restaurant; and
8. You have complied with the modernization requirements of Section 10(G);

F. Death, Disability or Incapacity. In the event of death, disability or incapacity of any individual Franchisee or principal officer or director of an incorporated Franchisee or partner in a partnership Franchisee, or upon the dissolution of a corporate or partnership Franchisee, the appropriate representative of such person or entity (whether administrator, personal representative or trustee) must, within a reasonable time not exceeding six (6) months following such event, transfer his/her or its interest to a third party we approve. Any such transfer will be subject to the provisions of Section 16(D) above. If the transferee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 15.

G. Disclosure. We may require you to prepare and furnish to transferee-franchisee and/or us such

financial reports and other data relating to the Restaurant and its operations as we may deem necessary or appropriate for the transferee and/or us to evaluate the Restaurant and the proposed transfer. You agree that we may communicate directly with a proposed transferee and furnish them with information concerning the Restaurant and proposed transfer without being held liable to you, except for intentional misstatements made to any such transferee.

H. Guaranty. All Principal Owners (as defined below in this Section 16(H) of you which are a corporation, partnership or other entity, will sign the Personal Guaranty in the form attached to this Agreement as Exhibit C (the "Guaranty Agreement"). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of you under the provisions of this Section 16 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement. You will furnish to us at any time upon reasonable request a certified copy of the Articles of Incorporation or Articles of Organization and a list, in a form we reasonably require, of all shareholders or members of record and all persons having a beneficial interest in any corporation or other entity that is or becomes a Franchisee. A "Principal Owner" means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you, and the ownership interest of spouses will be viewed collectively in determining the percent of ownership interest. If any corporation or other entity other than a partnership is a Principal Owner, a "Principal Owner" also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a "Principal Owner" also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. If you are one or more individuals, each individual will be deemed a Principal Owner of you.

17. OUR TERMINATION RIGHTS

A. Grounds. You will be in default, and we may, at our option, terminate this Agreement, if: (1) you fail to open and commence operations of the Restaurant at such time as the premises are ready for occupancy or within twelve (12) months after the Franchised Location is approved, whichever occurs first; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or majority shareholders are convicted of, or plead guilty to or no contest to a felony, a crime involving moral turpitude or a charge of violating any law that we believe will injure the Business System, the Marks or the goodwill associated therewith, or if we have proof that you have committed such a felony, crime or offense; (4) you fail to conform to the material requirements of the Business System or the material standards of uniformity and quality for the products and services we have established in connection with the Business System; (5) you fail to timely pay Continuing Royalty Fees or Advertising Fees, or any other obligations or liabilities due and owing to us (including any material breach of any other agreement between us and you that relates to the Restaurant) or fail to timely pay any advertising cooperative obligations; (6) you, any Principal Owners, or any guarantor of this Agreement are insolvent within the meaning of any applicable state or federal law; (7) you, any Principal Owners, or any guarantor of this Agreement files a petition in bankruptcy or is adjudicated a bankrupt, or files any petition or answer seeking any readjustment, or similar relief for yourself or itself under any present or future federal, state or other bankruptcy statute, law or regulation, or makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of your or its assets for the benefit of creditors; (8) you voluntarily or otherwise "abandon" (see Section 10(M)) the franchised business; (9) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name Culver's® or any of the Marks or the Business System; or (10) your lease, for the Restaurant premises (if applicable) expires or is terminated for any reason (except to the extent you comply with Section 2(D) above).

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period (or such

longer period as applicable law may require) expires. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you repeatedly fail to comply with one or more material requirements of this Agreement; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) any default under items (3), (6), (7), (8) or (9) in Section 17(A) above; or (5) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise. Any report submitted pursuant to Section 14 will be conclusively deemed to be materially false if it understates Gross Sales by more than four percent (4%).

C. Applicable Law. If the provisions of this Section 17 are inconsistent with applicable law, the applicable law will apply.

18. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any of our material obligations to you and fail to cure such violation within thirty (30) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice must specifically identify the violation and demand that it be cured.

19. YOUR OBLIGATIONS UPON EXPIRATION OR TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason other than a termination as a result of a breach by us, you must: (1) within five (5) days after expiration or termination, pay all amounts due and owing to us under this Agreement; (2) return to us by first class prepaid United States mail any hard copies of the Manual, and any other manuals, advertising materials, and all other printed materials relating to the operation of the Restaurant; (3) assign to us or, as we so direct, disconnect all telephone numbers for the Restaurant; and (4) remove all decor and other materials bearing the name Culver's® and other Marks; (5) return all unused Special Products to us, for which we will repurchase such products at your actual cost, subject to our right of set off for any amounts which remain due but unpaid by you to us; (6) discontinue using and immediately remove, at your expense, any and all signs at the Restaurant premises or elsewhere bearing the name Culver's® or other Marks; (7) discontinue using the Proprietary Software and immediately return to us or destroy all copies of the Proprietary Software in your possession; (8) immediately cease using any confidential information described in Section 11(A) above return to us all documents in your possession that contain such confidential information; and (9) comply with all other applicable provisions of this Agreement, including the non-compete provisions. Upon expiration or termination of this Franchise Agreement for any reason, your right to use the name Culver's® and the other Marks and the Business System will immediately terminate. If you fail to remove all signs and other materials bearing the Marks, we may do so at your expense. You agree to take all other action, and execute all documents we may reasonably request, to protect our interests in the Marks and the Business System.

B. Redecoration. If this Agreement is expires or is terminated for any reason, and you either remain in possession of the Franchised Location to operate a separate business not in violation of Section 19 below or enters into an agreement with a third party to allow such third party to directly operate a non-competitive business at the Franchised Location, you must, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Culver's® Restaurants. At a minimum, such changes and modifications to the premises must include: (1) repainting the premises (including the roof) with totally different colors; (2) removing all signs and other materials bearing the name Culver's® and other Marks; (3) removing from the premises all signs, awnings, equipment and fixtures which are indicative of Culver's® Restaurants; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; and (5) discontinuing use of all menus and packaging regarding the operation of the Restaurant.

C. Our Repurchase Rights. We will have the option, for a period of sixty (60) days after expiration or termination of this Agreement, to purchase from you the assets of the Restaurant and obtain an assignment of your lease (if applicable) for the premises of the Restaurant. The purchase price for the assets of the Restaurant will be the fair market value exclusive of any goodwill. We may exclude from the assets purchased fixtures, equipment, signs, products and supplies that it has not previously approved as meeting quality or performance standards for the Restaurant. If we and you cannot agree on the fair market value, an independent appraiser that we select will determine the fair market value. The purchase price will be paid in cash at the closing of the purchase, which will take place no later than sixty (60) days after you receive our notice to exercise the option hereunder. At the closing, you must deliver instruments transferring to us or our transferee: (1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances; and (2) all licenses or permits which may be assigned or transferred. We may set off against and reduce the purchase price by any amounts you owe to us or our affiliates, and one-half (1/2) of the cost of any appraiser.

D. Claims. You may not assert any claim or cause of action against us relating to this Agreement or the Restaurant after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that, in jurisdictions where the one year limitation of time is prohibited or invalid under any applicable law, you may not commence or maintain any suit or action unless commenced within the applicable statute of limitations.

20. YOUR COVENANTS NOT TO COMPETE; NON-SOLICITATION

A. Non-Competition During Term. The Operator and all guarantors of this Agreement, may not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any restaurant business that features frozen custard, hamburgers or other products then-offered by Culver's® Restaurants, or any other related business that is competitive with or similar to a Culver's® Restaurant, except with our prior written consent.

B. Non-Competition After Termination. The Operator and all guarantors of this Agreement, may not, for a period of one (1) year after this Agreement expires or is terminated (except for a termination as a result of a our breach), on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any restaurant business that features frozen custard, hamburgers or other products then-offered by Culver's® Restaurants, or any other related business that is competitive with or similar to a Culver's® Restaurant which is located at the Franchised Location or within a six (6) mile radius of the Franchised Location or any Culver's® Restaurant. You expressly agree that the one (1) year period and the six (6) mile radius are the reasonable and necessary time and distance needed to protect our legitimate business interests, Marks and goodwill if this Agreement expires or is terminated for any reason.

C. Non-Solicitation. During the term of this Agreement and for a period of two (2) years after the expiration or termination of this Agreement, you, the Operator, and all guarantors of this Agreement, may not, without our prior written consent, directly or indirectly, (a) employ or attempt to employ any employee of ours or any other Culver's® Franchisee, including any restaurant manager or assistant restaurant manager ("Personnel"); or (b) induce or attempt to induce any Personnel to leave his or her employment with us or any other Culver's® Franchisee.

D. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetition and non-solicitation covenants and that injunctive relief is essential for our protection. You therefore agree that in case of any alleged breach or violation of this Section by it, we may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to us at equity or law.

21. ARBITRATION; ENFORCEMENT

A. Arbitration Process. Except to the extent we elect to enforce the provisions of this Agreement by judicial process and/or injunction as provided in this Agreement, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation of this Agreement (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be submitted to binding arbitration pursuant to the Federal Arbitration Act. All arbitration proceedings must take place in Sauk County, Wisconsin. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have a minimum of seven (7) years experience in franchise or product distribution law and will have the right to award specific performance of this Agreement. The proceedings must be conducted in accordance with the Federal Rules of Evidence and the Commercial Arbitration Rules of the American Arbitration Association, to the extent that the AAA Commercial Arbitration Rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we will fully perform our respective obligations under this Agreement.

B. Punitive Damages. We and you (and our respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each will be limited to the recovery of actual damages sustained by it.

C. Jury Trial. We and you agree to waive, to the fullest extent permitted by law, any and all rights to a trial by jury in connection with any allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action, or any legal action initiated for the recovery of damages for breach of this Agreement.

D. No Collateral Estoppel or Class Actions. No arbitration findings or awards made by the arbitrator(s) may be used to collaterally estop either party from raising any like or similar issues, claims or defenses in any other or subsequent arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees. No party except us, you, and our officers, directors, owners or partners, and the Personal Guarantors will have the right to join in any arbitration proceeding arising under this Agreement. Therefore, the arbitrator(s) may not permit or approve class actions or permit any person or entity that is not a party to this Agreement to be involved in or to participate in any arbitration hearings conducted under this Agreement.

E. Effect of Wrongful Termination. If either we or you take any action to terminate this Agreement or to convert your Restaurant to another business, and if such action was taken without first complying with the applicable provisions (including the notice and opportunity to cure provisions) of this Agreement, such action will not relieve either party of, or release either party from, any of its obligations under this Agreement, and this Agreement will remain in full force and effect and the parties will be obligated to perform all terms until such time as this Agreement expires or is terminated pursuant to the provisions of this Agreement and applicable law, as determined by arbitration or a court of competent jurisdiction.

F. Enforcement of Franchise Agreement. Notwithstanding the other provisions of this Section 21, you recognize that the failure of a single franchisee to comply with the terms of its Culver's® franchise agreement could cause irreparable damage to us or to some or all other Culver's® franchisees. We and you, therefore agree that, in the event of a breach or threatened breach of Sections 4, 5, 10, 11, 14, 15, 16, 19, 20 and/or 21 of this Agreement by you or in the event of any conduct by you which is illegal or is dishonest or misleading to your customers or prospective customers or may impair the goodwill associated with the Marks, we may seek an injunction restraining such breach or obtain a decree of specific performance,

without showing or proving any actual damage. The foregoing equitable remedy will be in addition to, and not in lieu of, all other remedies or rights which we might otherwise have by virtue of any breach of this Agreement by you.

22. SEVERABILITY AND CONSTRUCTION

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice period than is required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

B. Waiver. We and you may by written instrument unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by us of any payment by you and no failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including any mandatory specification, standard or operating procedure, will constitute a waiver of any provision of this Agreement.

C. Cumulative Rights. The rights of us and you under this Agreement are cumulative and no exercise or enforcement by us or you of any right or remedy in this Agreement will preclude the exercise or enforcement by us or you of any other right or remedy in this Agreement or which we or you are entitled by law to enforce.

D. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement and the franchise relationship will be governed by the laws of the state in which the Franchised Location is located.

E. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest.

F. Consents. Whenever a party's consent or approval is required under this Agreement, such consent or approval will not be unreasonably withheld or delayed. In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

G. Entire Agreement. The "Background" section is a part of this Agreement which, together with exhibits, and that certain Acknowledgement of Franchisee agreement signed contemporaneously by you, represents the entire agreement of the parties. This Agreement supersedes and terminates any prior oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in this Agreement is intended to disclaim the representations we made in the franchise disclosure document. No modification of this Agreement will be effective unless it is in writing and signed by us and you. The term "you" or "Franchisee" as used herein is applicable (where relevant) to one or more persons, a corporation or a partnership. References to "you," "Franchisee," "assignees" and "transferees" which are applicable to an individual or individuals mean the principal owner or owners of the equity or operating control of you or any such assignee or transferee if you or such assignee or transferee is a corporation or partnership. If you consist of more than one individual, all individuals will be bound jointly and severally by the provisions of this Agreement.

H. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the Business System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the Business System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of Culver's® restaurants and the Business System.

I. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, products and/or services for use in the Restaurant on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights granted or licensed to suppliers or manufacturers. You agree that we and our affiliates will be entitled to such profits and consideration.

23. NOTICES

A. All notices to us must be in writing and must be made by personal service or sent by prepaid certified or registered United States mail, return receipt requested, addressed to us at our principal place of business, or at such other address as we may designate in writing. All notices to you will be made by prepaid certified or registered United States mail, return receipt requested, addressed to you at the Franchised Location, or such other address as you may designate in writing. Any notice under this Agreement also may be made by a recognized delivery service that requires a written receipt.

24. ACKNOWLEDGMENTS

A. Independent Investigation. You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will largely depend on your ability as an independent business person. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Franchise Agreement. You acknowledge that you have received, read, and understood this Agreement and that we have fully and adequately explained the provisions of it to your satisfaction and that you have had sufficient time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

C. Other Franchises. You acknowledge that other franchisees of ours have or will be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchises may vary substantially from those contained in this Agreement.

D. Receipt of Documents. You acknowledge that you have received a franchise disclosure document at least fourteen (14) days before the date on which this Agreement was executed.

IN WITNESS WHEREOF, we and you have signed this Agreement as of the day and year first above written.

WE DISCLAIM ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF YOUR BUSINESS OPERATIONS UNDER THIS AGREEMENT.

This is a legal document which grants specific rights to and imposes certain obligations upon us and you. Consult legal counsel to be sure that you understand your rights and duties. Please insert the name and address of your attorney: _____

WE
CULVER FRANCHISING SYSTEM, INC.

By _____
Its _____

YOU

If "you" are a corporation or a limited liability company,

(Print Entity Name)

By _____
Its _____

If "you" are one or more individuals,

(Print Individual Name)

By _____

(Print Individual Name)

By _____

EXHIBIT A
TO FRANCHISE AGREEMENT

ADDENDUM TO LEASE

This Lease Addendum (“Addendum”), dated the _____ day of _____, 20____, is entered into between _____ (“Lessor”), and _____ (“Lessee”).

RECITALS

- A. The parties have entered into a Lease Agreement, dated _____, 20____, (the “Lease”) for the premises located at _____ (the “Premises”).
- B. Lessee has agreed to use the Premises only for the operation of a restaurant from the Premises pursuant to a Franchise Agreement, as may be amended from time to time (the “Franchise Agreement”) with Culver Franchising System, Inc. (“Culver’s”) under the name Culver’s® or other name Culver’s designates (the “Restaurant”).
- C. THE PARTIES DESIRE TO AMEND THE LEASE IN ACCORDANCE WITH THE TERMS AND CONDITIONS CONTAINED IN THIS ADDENDUM.

AGREEMENT

Lessor and Lessee agree as follows:

1. Remodeling and Decor. Lessor agrees to allow Lessee to remodel, equip and paint the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate the Restaurant on the Premises.
2. Assignment. Lessee does not have the right to Sublease or assign the Lease to any third party without Culver’s written approval. Lessee has the right to assign all of its right, title and interest in the Lease to Culver’s or Culver’s affiliates, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor’s consent. No assignment will be effective, however, until Culver’s or its designated affiliate gives Lessor written notice of its acceptance of the assignment. If Culver’s elects to assume the Lease under this subparagraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Lessor and Lessee agree that (i) Lessee will remain liable for the responsibilities and obligations, including amounts owed to Lessor, prior to the date of assignment and assumption, and (ii) Culver’s will have the right to sublease the Premises to another franchisee, provided the franchisee agrees to operate the Restaurant as a Culver’s® restaurant pursuant to a Franchise Agreement with Culver’s. Culver’s or the affiliate will be responsible for the lease obligations incurred after the effective date of the assignment.
3. Default and Notice.
 - (a) In the event Lessee defaults or is in violation under the terms of the Lease, Lessor agrees to give Lessee and Culver’s written notice of such default or violation. Lessor agrees to provide Culver’s the written notice of default as written and on the same day Lessor gives it to Lessee. Although Culver’s is under no obligation to cure the default, Culver’s will notify Lessor if it intends to cure the default and unilaterally assume Lessee’s interest in

the lease as provided in Paragraph 3(c). Culver's will have an additional 15 days from the expiration of Lessee's cure period in which to cure the default or violation.

- (b) All notices to Culver's must be sent by registered or certified mail, postage prepaid, to the following address:

Culver Franchising System, Inc.
1240 Water Street
Prairie du Sac, WI 53578
Attention: General Counsel

Culver's may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees to notify both Lessee and Culver's of any change in Lessor's mailing address to which notices should be sent.

- (c) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, Culver's has the right (but not the obligation) to unilaterally assume Lessee's interest in the lease.

4. Termination or Expiration.

- (a) Upon the expiration or termination of the Franchise Agreement, Culver's has the right (but not the obligation) to unilaterally assume Lessee's interest in the lease.
- (b) Upon the expiration or termination of the Lease, Lessor agrees to cooperate and allow Culver's to enter the Premises, no later than 30 days after said expiration or termination and without cost and without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Culver's® Restaurant and to make such other modifications as are reasonably necessary to distinguish the Premises from Culver's® restaurants. In the event Culver's exercises its option to purchase assets of Lessee, Lessor agrees to permit Culver's to remove all such assets being purchased by Culver's.

5. Consideration; No Liability.

- (a) Lessor acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Lessee may not lease the Premises without this Addendum.
- (b) Lessor acknowledges that Lessee is not an agent or employee of Culver's and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Culver's or any affiliate of Culver's and that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Culver's or any affiliate of Culver's.
- (c) Nothing contained in this Addendum makes Culver's or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of Culver's or its affiliates.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained Culver's written consent.

7. Miscellaneous.

- (a) Culver's is a third party beneficiary of this Addendum.
- (b) References to the Lease and to the Franchise Agreement include all amendments,

addenda, extensions and renewals to the documents.

- (c) References to Lessor, Lessee and Culver's include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LESSEE:

LESSOR:

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT B
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned, ("You") assigns and transfers to Culver Franchising System, Inc., a Wisconsin corporation ("Assignee"), all of your right, title and interest as tenant in, to and under that certain lease, a copy of which is attached as Appendix 1, (the "Lease") for Premises with a street address of, _____
_____ and more particularly described as follows:

Description attached as Attachment A (*taken from original lease document*)

This Assignment of Lease is for collateral purposes only and except as specified herein, Assignee will have no liability or obligation of any kind arising from or relating to this Assignment of Lease unless Assignee takes possession of the Premises and assumes your obligations under the terms of the Lease and a certain Franchise Agreement dated _____ (the "Agreement").

You represent and warrant to Assignee that you have full power and authority to assign the Lease and its interest therein and that you have not previously, and are not obligated to, assign or transfer any of its interest in the Lease or the Premises to any other entity.

Upon your default under the Lease or the Agreement, or in the event of a default by you under any document or instrument relating to the Agreement, Assignee will have the right to take possession of the Premises, expel you there from, and, in such event, you will have no further right, title or interest in the Lease.

You agree that you will not allow or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. During the term of the Agreement and any renewals thereto, you will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that such option must be exercised, unless Assignee otherwise agrees in writing. Upon Assignee's failure to otherwise agree in writing, and upon your failure to so elect to extend or renew the Lease as stated herein, you appoint Assignee as your true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of you for the sole purpose of effecting such extension of renewal.

ASSIGNEE
CULVER FRANCHISING SYSTEM, INC.

By _____
Its _____
Date _____

YOU

If "you" are a corporation or limited liability company,

(Print Entity Name)

By _____
Its _____
Date _____

If "you" are one or more individuals,

(Print Individual Name)

By _____
Date _____

EXHIBIT C
TO FRANCHISE AGREEMENT

**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE
PROVISIONS OF THE FRANCHISE AGREEMENT**

In consideration of our execution of this Franchise Agreement, and for other good and valuable consideration, the undersigned jointly and severally: (1) guarantee your payment of all amounts due us and your performance of the covenants and obligations in this Franchise Agreement; and (2) agree to be personally bound by every provision contained in this Franchise Agreement including the non-compete provisions that specify the "Operator", and agree that this Personal Guaranty will be construed as though the undersigned executed a Franchise Agreement containing the identical provisions of this Franchise Agreement.

A. Each of the undersigned waives:

- (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (3) any right he/she may have to require that an action be brought against you or any other person as a condition of liability.

B. Each of the undersigned consents and agrees that:

- (1) he/she will provide any payment or performance required under the Franchise Agreement upon demand if you fail or refuse to do so;
- (2) such liability will not be contingent or conditioned upon our pursuit of any remedies against you or any other person; and
- (3) such liability will not be diminished, relieved or otherwise affected by your insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty on the same day and year as the Franchise Agreement was signed.

In the Presence of:

PERSONAL GUARANTORS

EXHIBIT D
TO FRANCHISE AGREEMENT

THE DESIGNATED TERRITORY

As stated in Section 2(B) of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Designated Territory in which you will locate and operate the Restaurant is defined as follows: _____

The Designated Territory is considered fixed as of the date of the Franchise Agreement.

WE
CULVER FRANCHISING SYSTEM, INC.

By _____
Its _____

YOU

If "you" are a corporation or limited liability company,

(Print Entity Name)

By _____
Its _____

If "you" are one or more individuals,

(Print Individual Name)

By _____

(Print Individual Name)

By _____

EXHIBIT E
TO FRANCHISE AGREEMENT

CULVER'S® STORED VALUE CARD PARTICIPATION AGREEMENT

This Stored Value Card Participation Agreement (this "Participation Agreement") between the franchisee identified below ("You"), and Culver Franchising System, Inc. ("we" or "us"), authorizes you to participate in the stored value card program (the "Program") provided by us to owners of CULVER'S® franchises issued by us.

The Program. The Program will allow your customers to purchase and reload stored value cards (the "Card") at your restaurant(s) or the restaurants of other participating Culver's® franchisees (each a "Participating Restaurant") by prepaying specific amounts and then using the Card to purchase products at any Participating Restaurant with the prepaid amounts. We have contracted with ValueLink, LLC ("ValueLink") to provide various services in support of the Program, which services include ordering and arranging for the distribution of an inventory of the Cards; providing a complete Card processing program, including a system for real-time Card authorization and accounting procedures and funds settlement procedures, for processing customer Card transactions from Participating Restaurants using a ValueLink-certified POS system or a stand-alone terminal; maintaining an automated interactive voice response system and a help line to assist Participating Restaurants in processing Card transactions; providing reports via a secure web site for same-day viewing of daily transaction detail by Participating Restaurants; maintaining a database of Card information and an automated balance inquiry system that may be accessed by Card holders 24 hours a day, 365 days a year, through the CULVER'S® web site; and certifying POS systems or stand-alone terminals that will allow. You acknowledge and agree that all matters with ValueLink arising out of or relating to this Participating Agreement, including any dispute resolution, will be handled by us. You further acknowledge that we are, and the you agree to be, bound by the following limitation of liability with respect to ValueLink and its Affiliated Processor: Except for liability arising out of ValueLink's willful misconduct, ValueLink's, and its Affiliated Processor's, cumulative aggregate liability to us and all Culver's® franchisees in connection with this Participation Agreement and the Program will be limited to actual direct damages and, in any event, will not (i) exceed \$100,000; or (ii) include any liability for claims arising out of or relating to services and/or items supplied by the Card Company. This provision shall run to the benefit of ValueLink and its affiliates and may be enforced by ValueLink.

CfSi Account. We will maintain a pooled bank account for the Program (the "CfSi Account"). Funds due from each Participating Restaurant for customers' purchases or reloads of Cards and applicable fees will be netted against funds due to the Participating Restaurant for customers' redemption of Cards and applicable fees at least once each week. The net amount of funds due from or to each Participating Restaurant then will be transferred by ACH transfer between the CfSi Account and the Participating Restaurant's designated bank account.

Participation In The Program. You will participate in the Program and the CULVER'S® restaurant(s) operated by you will be a Participating Restaurant(s). You acknowledge that we will send a copy of this Participation Agreement and Attachment 1 to ValueLink. You will comply with all processes and procedures relating to the Program established by us from time to time. Your participation in the Program will terminate upon the earliest to occur of the following: (1) the termination of the Program by us; (2) the termination of your CULVER'S® franchise(s); and (3) your failure to cure any default under this Participation Agreement within thirty (30) days after we provide written notice to you.

Your Account. You will designate a bank account owned by you for use in the Program for your Participating Restaurant(s) (the "Franchisee Account"). You will complete and deliver to us the attached ACH Authorization Form to authorize us to initiate ACH debit and credit entries to the Franchisee Account. You will maintain sufficient funds in the Franchisee Account to allow settlement of all ACH

entries initiated by us. You will remain liable for any ACH debit entry to the Franchisee Account that is dishonored, rejected, returned, reversed or charged back for any reason (“Returned Items”). You may change the Franchisee Account by providing prior written notice, and delivering the attached ACH Authorization Form containing the information for the new Franchisee Account, to us.

Card Authorization Equipment. You will provide and maintain at your Participating Restaurant(s) all point of sale devices, telecommunication capabilities and other equipment required to electronically transmit Card transaction data to ValueLink, in each case certified to ValueLink specifications (collectively, the “Card Authorization Equipment”), and any development, programming or other modifications to the Card Authorization Equipment as necessary to access and use the services provided by ValueLink in support of the Program.

Card Usage. Cards may only be used to purchase goods at Participating Restaurants. You will obtain payment from the Card holder for any amount of the purchase price in excess of the authorized amount on the Card. Cards may not be redeemed for cash, except where required by law. You will redeem each Card presented by a Card holder in payment for goods and will deliver the goods promised the Card holder regardless of whether you sold or reloaded that Card or whether you receive reimbursement from the CfSi Account.

Transaction Reconciliation. You will reconcile the daily transaction reports made available under the Program for its Participating Restaurant(s) and will identify and notify us of any discrepancies in each report within thirty (30) days after such report is made available to you.

Indemnification. Each party will indemnify the other, its Affiliates, and their respective directors, officers, employees, and agents from and against any and all third party claims, losses, liabilities and damages (including reasonable attorneys’ fees and costs of settlement) resulting from or arising out of its failure to comply with this Participation Agreement.

Program Fees. You are responsible to us for the following fees (which will be included in determining in the net funds transfers from or to the Franchisee Account):

1. A fee in an amount to be established by us from time to time for each Card redemption transaction (the “Redemption Fee”). The Redemption Fee will not exceed thirty-five cents (\$0.35) per redemption transaction.
2. All fees and charges incurred by us in connection with any Rush Orders placed by you. “Rush Order” means any replenishment order requested by you to be shipped overnight to the Participating Restaurant.
3. All fees and charges incurred by us in connection with Returned Items (the “Returned Items Fee”).

Agreed to this ____ day of _____, 20__.

WE
CULVER FRANCHISING SYSTEM, INC.

YOU
If “you” are a corporation or limited liability
company,

By _____
Its _____
Date _____

By _____
Its _____
Date _____

ATTACHMENT 1 TO STORED VALUE CARD PARTICIPATION AGREEMENT

ACH (DEBIT AND CREDIT) AUTHORIZATION

The Undersigned authorizes Culver Franchising System, Inc. ("CfSi"), and CfSi's Third-Party Service Provider, Western Union Financial Services, Inc. ("Affiliated Processor"), acting on behalf of CfSi, to initiate debit and credit entries to the deposit account indicated below and the bank indicated below, and to debit and credit the same to such account, on a weekly or more frequent basis, for payment processing and settlement of stored value card transactions pursuant to that certain Stored Value Card Agreement between CfSi and ValueLink, LLC ("ValueLink"), the ACH Settlement Process Exhibit B thereto between CfSi, ValueLink and Affiliated Processor, and the Stored Value Card Participation Agreement between CfSi, and the Undersigned. (Please attach voided check copy, if available).

Bank Name: _____
Account No.: _____
Account Title: _____
ABA Routing No.: _____

Indicate whether this Account is the same as the Undersigned has designated for ACH authorization for fees owed to CfSi pursuant to the Franchise Agreement between the Undersigned and CfSi.

___ Yes ___ No

If the preceding account information is not currently available at the time the Stored Value Card Participation Agreement is signed, the Undersigned will inform CfSi of the account information when it is available and the account information will become part of this Attachment 1 as if originally stated.

Without limiting the foregoing, the Undersigned agrees to comply with and be bound by the rules and regulations of the National Automated Clearing House Association in effect from time to time.

This authorization is to remain in full force and effect until the Undersigned's Stored Value Card Participation Agreement has terminated and CfSi has received written notification from the Undersigned of this authorization's termination in such time and in such manner as to afford CfSi and Affiliated Processor, as CfSi's Third-Party Service Provider, and the bank indicated above a reasonable opportunity to act on such written notification. No such termination shall relieve the Undersigned of any obligations or liabilities that accrue or relate to events that have occurred prior to such termination.

Authorization:

YOU

If "you" are a corporation or limited liability company,

By: _____
Its: _____
Date _____

Your Taxpayer ID No.: _____

NOTE: This authorization may be revoked only upon termination of the Stored Value Card Participation

Agreement and notification to CFSi in the manner specified herein.

**EXHIBIT D
TO FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE AGENCIES; AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Corporations <u>Business Oversight</u> California Department of Corporations <u>Business Oversight</u>	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 <u>1-866-275-2677</u>
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	Williams Building, 6 th Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 500 St. Paul, MN 55101-2198
New York (State Administrator)	New York State Department of Law Bureau of Investor Protection and Securities	120 Broadway, 23rd Floor New York, NY 10271
New York (Agent)	Secretary of State of the State of New York	41 State Street, Second Floor Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	233 Richmond Street, Suite 232 Providence, RI 02903-4232
South Dakota	Department of Labor and Regulation Division of Securities	445 East Capitol Avenue Pierre, SD 57501
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail	1300 East Main Street, 9 th Floor Richmond, VA 23219-3630
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 345201 W. Washington Ave., 4 th Floor <u>Suite 300</u> Madison, WI 53703

EXHIBIT E
TO FRANCHISE DISCLOSURE DOCUMENT
PRELIMINARY AGREEMENT

Based upon the interest you, the "Applicant," have expressed in the possibility of obtaining a Culver's® restaurant franchise, through Culver Franchising System, Inc., ("CFSI") and in order to allow both you and CFSI to evaluate one another, Applicant and CFSI agree as follows:

1. Disclosure Document Disclosure. Applicant acknowledges signing the receipt for the current Franchise Disclosure Document before signing this Agreement or paying any monies to CFSI. (THIS PRELIMINARY AGREEMENT SHOULD NOT BE SIGNED UNLESS AND UNTIL SUCH DISCLOSURE HAS BEEN TIMELY GIVEN.)

2. Personal And Financial Reference Evaluation. Applicant must submit to CFSI a completed Application for Franchise Consideration. Applicant must provide a complete and accurate financial summary as part of this application. Applicant understands CFSI will conduct a full evaluation and check all information provided.

3. Discovery Week. Applicant agrees to undergo a "Discovery Week" to be conducted at one of CFSI's company-owned Culver's® restaurants. The purpose of the evaluation is for Applicant to demonstrate to both Applicant and CFSI, Applicant's suitability as a hands-on-owner/manager of a Culver's® franchised restaurant. Applicant understands this evaluation will involve hands on participation in the front and back-line operations. The evaluation period must be completed during a 6-day period beginning on a Monday and ending on a Saturday. Hours will vary between 6:00 a.m. through 8:00 p.m.

If there are multiple Applicants, the individual who will be operating the Culver's® Restaurant will be the only Applicant required to complete the Discovery Week. The Applicant who undergoes this evaluation understands this evaluation is for their own business interest in an effort to qualify for a franchise and that any work done during the evaluation period is work done on Applicant's own behalf and for the proposed franchise owner entity. The Applicant is not an employee of CFSI during any part of the evaluation period. CFSI will not pay Applicant for any work performed at a company-owned CFSI facility during the evaluation period.

Applicant agrees to pay for all expenses incurred during the evaluation period including all meals (except while working in assigned restaurant), lodging, travel, uniform, and any other miscellaneous expenses.

Applicant agrees to indemnify and hold CFSI, its officers, directors, employees, successors, assigns, agents and subsidiaries harmless from any and all liabilities, claims, damages, demands, costs, expenses, actions, and causes of actions of any kind, whether known or unknown, present or future, arising as a result of Applicant's participation in the Discovery Week.

4. Confidentiality. Applicant acknowledges there will be discussion, negotiating, visiting and viewing facilities, systems, and procedures of CFSI to determine whether Applicant might be interested in entering into a business arrangement with CFSI. During these discussions, negotiations and visits, certain confidential business information of CFSI may be made available to the Applicant.

Applicant agrees and understands that the information available to Applicant will include information, processes, procedures and techniques (collectively, the "Culver System"), for which CFSI has expended considerable sums of money developing and perfecting. Applicant further understands and agrees that any unauthorized use, release or disclosure of the Culver System by Applicant will place CFSI

at a competitive disadvantage, causing CFSI to suffer irreparable damage and loss for which Applicant will be liable.

Applicant agrees that all information received from CFSI regarding the Culver System will be kept confidential, and not used, disclosed, released or otherwise divulged to anyone without CFSI's prior written consent. Applicant further agrees he/she may not use such information to create or market any competitive products or systems without CFSI's express written consent.

5. Financial Information. Applicant acknowledges that except as stated in Item 19 of the disclosure document, Applicant may not receive information from Franchisor regarding any statements, promises, guarantees or assurances relative to earnings, revenues, profits or projected revenues for a Culver's® Restaurant. Applicant agrees not to pose any inquiries to the employees of any company-owned Culver's® Restaurants relating to the Culver's® Restaurant's financial performance. Applicant further agrees to direct any and all inquiries regarding the financials of a Culver's® Restaurant to existing Culver's® franchisees, as part of Applicant's due diligence and information gathering process.

6. Application Fee. Applicant must pay to CFSI upon signing this Preliminary Agreement, an Application Fee of Five Thousand Dollars (\$5,000). Applicant must pay the Application Fee before he/she may attend the Discovery Week, described in Section 3. If Applicant is approved, this Application Fee will be applied towards the initial franchise fee as stated in the Culver's® Franchise Agreement. If Applicant is not approved by CFSI at any time before CFSI signs the Franchise Agreement, the Application Fee will be refunded.

7. Franchise Document. If, based upon the review and evaluation of the information requested in this Preliminary Agreement, CFSI approves Applicant in writing, CFSI and Applicant will sign a Culver's® Franchise Agreement within 12 months of Applicant's receipt of such notice of approval. If Applicant does not sign a Culver's® Franchise Agreement within 12 months of the date of the Notice of Approval, the Applicant Fee will be refunded and this Agreement immediately will terminate.

The parties acknowledge and agree that the representations in this Agreement will survive the assignment or termination of this or any other agreements that Applicant and CFSI enter into.

FRANCHISOR
CULVER FRANCHISING SYSTEM, INC.

By _____
Its _____
Date _____

APPLICANT
If "Applicant" is a corporation or limited
liability company,

(Print Entity Name)

By _____
Its _____
Date _____

If "Applicant" is one or more individuals,

(Print Individual Name)

By _____
Date _____

(Print Individual Name)

By _____
Date _____

EXHIBIT F

TO FRANCHISE DISCLOSURE DOCUMENT

ACKNOWLEDGMENT OF FRANCHISEE

Applicant _____

Address of Applicant _____

Location (Territory) Applied For _____

Deposit Received _____ Balance Remaining _____

1. I have received all appropriate offering circulars and disclosure documents for the State(s) of _____ at my first personal meeting with Culver Franchising System, Inc. and have had at least fourteen (14) days before execution of the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to Culver Franchising System, Inc. the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all its covenants, obligations of Culver Franchising System, Inc. and my obligations as a franchisee of the Culver Franchising System, Inc. system.

4. Except as stated in Item 19 of this disclosure document, I have received no statements, promises, guarantees or assurances relative to earnings, revenues, profits or projected revenues for this franchise.

5. I have received no promises, guarantees or assurances regarding the grant of any additional Culver's® restaurants.

6. I understand that this franchise business, as in all business ventures, involves risk and despite assistance and support programs, the success of my business will depend largely upon my ability and me.

7. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement, or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement, or related agreement was signed.

8. I understand that Culver Franchising System, Inc. has a national advertising program which is not directed towards any specific franchise territory but is intended to benefit the entire Culver's® system nationwide.

9. I understand that I am required by this agreement to maintain an adequate local and on-going advertising program.

10. During the discovering process I contacted the following Culver's® restaurants identified in Exhibit C of the disclosure document. (Please check (☑)).

- 1 to 5 6 to 10 11 plus No contacts were made

11. Any questions or doubts I still have concerning Culver Franchising System, Inc. or the Franchise Agreement are stated as follows:

WE
CULVER FRANCHISING SYSTEM, INC.

YOU

By _____

By _____

By _____

By _____

Its _____

Date _____

By _____

By _____

EXHIBIT G
TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO
CULVER'S® FRANCHISE AGREEMENT
FOR MENTORING PROGRAM**

This Addendum is entered into between Culver Franchising System, Inc. (“we” or “us”), and _____ (“you”), and is effective as stated in Paragraph 4.

RECITALS

A. We and you are entering into a Culver's® Franchise Agreement (the “Franchise Agreement”), whereby you will be granted the right to establish and operate a Culver's® Restaurant (the “Restaurant”) at the Authorized Location set forth in the Franchise Agreement.

B. Because you are being granted a franchise under the Mentoring Program (as defined in the Culver's® disclosure document), we and you agree to the modifications to the Franchise Agreement as stated below.

AGREEMENTS

In consideration of the mutual promises expressed herein and for other good and valuable consideration, the parties agree as follows:

1. Initial Franchise Fee. The first sentence of Section 6(A) is deleted and replaced with the following:

You will pay us an Initial Franchise Fee of \$ _____.

2. Required Interest of Your Shareholders/Members. The following language is added to the end of Section 10(A) of the Franchise Agreement:

Your shareholders/members must include: (i) one or more shareholders/members that, as of the date of this Agreement, own at least 50% of the common stock or interest (or at least 25% of common stock or interest in both the operating business entity and building and real estate) in you and in an existing Culver's® franchisee entity (“Separate Culver's Entity”); and (ii) a separate single shareholder/member who owns at least ~~25~~19% common stock or interest (or at least 15% of common stock or interest in both the operating business entity and building and real estate) and who (as of the Effective Date of this Addendum) has been for at least one year the existing operating manager of the Separate Culver's Entity.

3. Training. As a result of your four (4)-day leadership assessment, conducted in connection with the application to participate in the Mentoring Program, Section 9(C) is modified accordingly:

4. Transfer. If at any time within 6 months following the opening of the Restaurant the majority owner transfers any interest so that his or her percentage drops below 50%, you must pay us the difference between the Initial Franchise Fee then-charged to new franchisees and that paid in accordance with Paragraph 2 above (in an amount equal to \$_____), in addition to any applicable transfer fee

5. Effective Date. This Addendum is effective on the Effective Date of the Franchise Agreement.

5. Construction. In all other respects, the Franchise Agreement will be construed and enforced under its terms.

IN WITNESS WHEREOF, the parties have signed this Addendum as of the dates written below.

WE
CULVER FRANCHISING SYSTEM, INC.

YOU
If "you" are a corporation or a limited liability company,

(Print Corporate Name)

By _____
Its _____

By _____
Its _____

EXHIBIT H
TO FRANCHISE DISCLOSURE DOCUMENT
CERTIFICATION OF BUSINESS ENTITY

_____ (*insert name of Operating Business Entity*) (“Franchisee Entity”) desires to develop and operate a Culver’s® restaurant (the “Restaurant”) under a Culver’s® franchise agreement (the “Franchise Agreement”). The undersigned (collectively “Principal Owners”) represents and certifies as follows:

The Franchisee Entity is organized and existing under the laws of the State of _____ and is licensed to transact business in the State of _____.

1. Attached to this Certification of Business Entity are copies of the following properly signed and filed organizational documents for the Franchisee Entity:

- _____ Articles of Organization or Articles of Incorporation; _____ Bylaws;
- _____ Operating Agreement;
- _____ Buy-Sell Agreement; and/or
- _____ Certificates of Ownership or Stock Certificates.

All stock certificates must contain the following legend:

The shares of capital stock represented by this certificate are subject to a written Franchise Agreement which grants Culver Franchising System, Inc. a right of first refusal to purchase these shares of capital stock from the shareholder.

2. The individual owners of the Franchisee Entity, their addresses, phone numbers, and their respective interest in the Franchisee Entity are as follows:

LIST OF MEMBERS, OFFICERS AND DIRECTORS OR PARTNERS			
<i>(Please print and provide complete address)</i>			
Name	Title	Address & Home Phone	% Ownership

The designated “Operator” (as defined in Item 15 of the disclosure document) is _____. The Principal Owners represent that the Operator has the required ownership interests, as detailed in Item 15 of the disclosure document and the Franchise Agreement. The Principal Owners represent that the Operator is fully authorized and empowered to transact any and all business with Franchisor for Franchisee Entity, including providing financial information, reporting any changes in ownership and executing documents that Franchisor requires.

3. Does the Franchisee Entity own the land and building? Yes ____ No ____ . If no, list the business entity and individuals owning real estate.

Business Entity: _____

Members/Shareholders:	% Ownership
------------------------------	--------------------

_____	_____
_____	_____
_____	_____

4. Franchisor may rely upon the representations contained herein until the Operator notifies Franchisor in writing that this Certification has been amended and provides information respecting the amendment. Franchisee Entity (and the Franchisee, after the Franchise Agreement is signed) must immediately notify Franchisor in writing of any change in the information contained herein and must prepare and sign a new Certification of Business Entity containing the correct information.

FRANCHISEE ENTITY:

Dated: _____

By: _____

Its: _____

Legal Counsel Information (Required)

Name of Legal Counsel: _____

Law Firm Name: _____

Address: _____

City, State, Zip: _____

Phone: _____

EXHIBIT I
TO FRANCHISE DISCLOSURE DOCUMENT
STATE ADDENDA

**CALIFORNIA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of California and is intended to comply with California statutes and regulations.

1. 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.

2. Item 3. In addition to the information required by Item 3, neither the Franchisor, or any person in Item 2 of the FDD 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.

3. Item 17. Item 17 of the Franchise Disclosure Document has the following additional provisions:

(a) 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.

(b) Any proposed termination of the Franchise Agreement for bankruptcy may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Section 101 et seq.)

(c) 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.

(d) The Franchise Agreement requires binding arbitration to be conducted in Milwaukee, Wisconsin. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

4. The Franchisor's web site is found at www.culvers.com.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~CORPORATIONS~~BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~CORPORATIONS~~ AT [BUSINESS OVERSIGHT AT www.dbo.ca.gov](http://www.dbo.ca.gov).

**ILLINOIS ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of Illinois and is intended to comply with Illinois statutes and regulations.

1. Item 17. Item 17 of the disclosure document is amended by replacing the description in the Summary column of Item 17(v) with the following:

Franchise Agreement: Litigation not subject to arbitration must be in federal district court in Illinois.

**ILLINOIS ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Jury Trial. The Franchise Bureau of the Illinois Attorney General's Office considers the waiver of a jury trial under Section 21(C) of the Franchise Agreement to be inconsistent with the intent of the Illinois Franchise Disclosure Act at Section 705/41.

2. Governing Law. Section 22(D) of the Franchise Agreement is amended to provide that any provision that designates governing law to be other than Illinois is void under the Illinois Franchise Disclosure Act of 1987.

3. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

**MARYLAND ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of Maryland and is intended to comply with Maryland statutes and regulations.

1. The Summary column of Item 17 paragraph (c) is amended to add the following:

Pursuant to COMAR 02.02.0816L, the general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. The Summary column of Item 17 paragraph (h) is amended to add the following:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)

3. The Summary column of Item 17 paragraph (u) is amended to add the following:

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within 3 years after the franchise is granted.

4. The Summary column of Item 17 paragraph (v) is amended to add the following:

Any claims under the Maryland Franchise Registration and Disclosure law may be brought in the State of Maryland.

5. Item 22.

The Franchise Agreement requires the franchisee to sign a general release as a condition of renewal, sale, or assignment of the franchise. This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The form of release that you must sign in those situations will be substantially similar to the release attached as Exhibit J.

**MARYLAND ADDENDUM TO
CULVER'S FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Renewal. Section 3(B) is amended to include the following: "Nothing in this Section 3(B), however, will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

2. Assignment. Section 16(E) is amended to include the following: "Nothing in this Section 16(E), however, will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

3. Governing Law. Section 22(D) is amended to include the following: "Nothing in this Section 22(D), however, will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

4. Acknowledgement. Any provision in the Agreement that requires you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law is not intended to nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

**MINNESOTA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of Minnesota and is intended to comply with Minnesota statutes and regulations.

1. Item 13. Item 13 of the disclosure document is amended to include the following language:

We will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the “Culver’s” mark, provided you have used the Marks properly and have notified us of any claim against you within 10 days of your knowledge of the claim. We will have sole control of any litigation involving the Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Item 17. Item 17 of the disclosure document is amended to include the following: “Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes Section 80C.14, subs. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. To the extent a dispute is subject to litigation (and not arbitration or mediation), nothing in the disclosure document or Franchise Agreement can eliminate or reduce any of your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.”

**MINNESOTA ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Minnesota and is intended to comply with Minnesota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Marks – Indemnification. Section 4 of the Franchise Agreement is amended to include the following language:

Franchisor will indemnify a Minnesota Franchisee for damages for which such Franchisee is held liable in any proceeding arising out of the use of the “Culver’s” mark, provided that Franchisee has used the mark properly and has notified Franchisor of any claim against Franchisee within ten (10) days of Franchisee’s knowledge of such claim. Franchisor will have sole control of any litigation involving the Marks. Franchisor’s indemnification obligation will not apply to any Franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Application of Minnesota Law. Sections 3 and 18 of the Franchise Agreement are amended by adding the following sentences at the end of each Section: “Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes Section 80C.14, subds. 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 Franchise Agreement.”

3. Governing Law. Section 21(D) of the Franchise Agreement is amended by adding the following provision at the end of such Section: “Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit non-arbitrable matters to the jurisdiction of the courts in Minnesota. Minnesota statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota.”

4. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____
By _____

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

This Addendum relates to franchises sold in the state of New York and is intended to comply with New York statutes and regulations.

1. Cover Page.

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. Item 3. Item 3 of the disclosure document is amended by the addition of the following:

No litigation is required to be disclosed in this Offering Prospectus. Neither we, our predecessor, or any person identified in Item 2:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, anti-trust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations or any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises and the size, nature or financial condition of the Franchise system or its business of operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within a ten (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, anti-trust, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. 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, anti-trust, trade regulation or trade practices 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 associations 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 effecting a license as a real estate broker or sales agent.

3. We represent that this Prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

4. Item 17(c). Item 17(c) of the disclosure document is amended to provide that all rights arising in your favor from the provisions of Article 33 of the Gen. Bus. Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this proviso that the non-waiver provisions of Gen. Bus. Law sections 687.4 and 687.5 be satisfied.

5. Item 17(j). Item 17(j) of the disclosure document is amended to provide that no assignment will be made by us, except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

6. Item 17(w). Item 17(w) of the disclosure document is amended to provide that the foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or ~~up~~upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NEW YORK ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in New York and is intended to comply with New York statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Release. Sections 3(B) and 16(E) of the Franchise Agreement are amended to provide that all rights enjoyed by you 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 will remain in force, it being the intent of this provision that the applicable nonrenewal or termination provisions of the General Business Law be satisfied.

2. Governing Law. Section 22(D) of the Franchise Agreement is amended by adding the following sentence at the end of such Section: "The foregoing should not be considered a waiver of any right that either Franchisor or Franchisee may have under the General Business Law of the State of New York, Article 33."

3. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

**NORTH DAKOTA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the State of North Dakota and is intended to comply with North Dakota statutes and regulations.

1. Item 17. Item 17 of the disclosure document is amended by the addition of the following:

In North Dakota, Items 17(c) and (m) are amended to provide that we cannot require you to sign a release as a condition to renewal or transfer. In addition, Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. Item 17(r) is amended to provide that covenants not to compete, such as those mentioned above, are generally considered unenforceable in the State of North Dakota. Finally, in North Dakota, Items 17(u) and (v) are amended to provide that we cannot require you to agree in advance to mediate or arbitrate disputes or agree to litigation outside the State of North Dakota.

**NORTH DAKOTA ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in North Dakota and is intended to comply with North Dakota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Release. Section 3(B) of the Franchise Agreement is amended to provide that we cannot require you to sign a general release as a condition of renewal.

2. Covenant Not to Compete. Section 20 of the Franchise Agreement is amended to provide that covenants not to compete upon termination or expiration of the Franchise Agreement may be unenforceable, except in certain circumstances provided by law.

3. Arbitration. Section 21(A) of the Franchise Agreement is amended to replace the words “in Sauk County, Wisconsin” with “at a site mutually agreeable to all parties.”

4. Waiver of Damages. Section 21(B) of the Franchise Agreement is deleted.

5. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

**RHODE ISLAND ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Governing Law. Section 22(D) of the Franchise Agreement is amended by the addition of the following sentence: "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 the state or requiring the application of the laws of another state is void respecting a claim otherwise enforceable under this Act."

2. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

**VIRGINIA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of Virginia and is intended to comply with Virginia statutes and regulations.

1. 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 grounds 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.

2. Any securities offered or sold by the Franchisee regarding the Mentoring Program must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

**WASHINGTON ADDENDUM TO
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Washington and is intended to comply with Washington statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Other Modifications.

A. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There also may 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.

B. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.

C. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, 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 trial by jury, may not be enforceable.

D. Transfer fees are collectible to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
Culver Franchising System, Inc.

YOU:

By _____
Its _____

By _____

By _____

EXHIBIT J
TO FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE FORM

GENERAL RELEASE
(Relating to Renewal of Franchise Agreement)

In consideration of entering into a new Franchise Agreement and the requirements for renewal as contained in the existing Franchise Agreement, _____ (the "Franchisee") and _____, _____, _____, and _____ (collectively, the "Guarantors") hereby release Culver Franchising System, Inc. (the "Franchisor"), its officers, directors, shareholders, and agents, and their respective successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement dated _____, between the Franchisor and the Franchisee, and guaranteed by the Guarantors, or the franchise relationship between the parties.

FRANCHISEE:

FRANCHISOR:

CULVER FRANCHISING SYSTEM, INC.

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

PERSONAL GUARANTORS

EXHIBIT K

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Culver Franchising System, Inc. ("CFSI") offers you a franchise, CFSI must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CFSI or its affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that CFSI gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that CFSI gives 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 CFSI does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit D.

The franchisor is Culver Franchising System, Inc. located at 1240 Water Street, Prairie du Sac, WI 53578. Its telephone number is (608) 643-7980.

Issuance Date: March ~~29, 2013~~28, 2014.

CFSI's franchise sellers involved in offering and selling the franchise to you are Thomas Goldsmith, and David O'Brien ~~and Gary Rudsinski~~, 1240 Water Street, Prairie du Sac, WI 53578, (608) 643-7980 or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____.

CFSI authorizes the respective state agent identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated March ~~29, 2013~~28, 2014, that included the following Exhibits:

- | | |
|--|-------------------------------------|
| A. Financial Statements | F. Acknowledgement of Franchisee |
| B. Culver's® Franchise Agreement | G. Mentoring Program Addendum |
| C. Lists of Franchised and Former Franchised Restaurants | H. Certification of Business Entity |
| D. List of State Agencies; Agents for Service of Process | I. State Addenda |
| E. Preliminary Agreement | J. General Release Form |
| | K. Receipts |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Franchisee

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Culver Franchising System, Inc. ("CFSI") offers you a franchise, CFSI must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CFSI or its affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that CFSI gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that CFSI gives 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 CFSI does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit D.

The franchisor is Culver Franchising System, Inc. located at 1240 Water Street, Prairie du Sac, WI 53578. Its telephone number is (608) 643-7980.

Issuance Date: March ~~29, 2013~~ 28, 2014.

CFSI's franchise sellers involved in offering and selling the franchise to you are Thomas Goldsmith, and David O'Brien and Gary Rudsinski, 1240 Water Street, Prairie du Sac, WI 53578, (608) 643-7980 or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____

CFSI authorizes the respective state agent identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated March ~~29, 2012~~ 28, 2014, that included the following Exhibits:

- | | |
|--|-------------------------------------|
| A. Financial Statements | F. Acknowledgement of Franchisee |
| B. Culver's® Franchise Agreement | G. Mentoring Program Addendum |
| C. Lists of Franchised and Former Franchised Restaurants | H. Certification of Business Entity |
| D. List of State Agencies; Agents for Service of Process | I. State Addenda |
| E. Preliminary Agreement | J. General Release Form |
| | K. Receipts |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Culver Franchising System, Inc.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Gary Rudsinski David O'Brien by email to GaryRudsinski DavidOBrien@culvers.com or by fax to (608) 643-7982.