

Franchise Disclosure Document [FDD]



Cupcake Heaven, LLC
a Nevada limited liability company
6630 Jefferson Street
Haymarket, Virginia 20169
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The franchise offered is for the operation of a cupcake shop that offers a variety of gourmet cupcakes baked onsite, using quality ingredients and proprietary recipes. This is a quick-serve cupcake shop that is dedicated to serving customers who are seeking freshly baked cupcakes with unique flavor combinations. Each cupcake shop offers gourmet cupcakes in addition to hot and cold blended beverages all at competitive prices available for consumption on the premises, carry-out or delivery under the name “Cupcake Heaven®.” The total investment necessary to begin operation of a Cupcake Heaven® franchise business is from \$68,600 to \$189,450 depending on a number of factors that are more fully discussed in Item 7. This includes \$730 to \$1,200 that must be paid to Franchisor or an affiliate and the Initial Franchise Fee of \$10,000 (as discussed in Item 5) that must be paid to the Franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read the 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 any affiliate in connection with the proposed franchise sale. **Note; however, no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact:

Mark Vincellette, President
Cupcake Heaven, LLC
6630 Jefferson Street
Haymarket, Virginia 20169
(703) 754-6300

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at WWW.FTC.GOV for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

We currently do not engage the services of franchise brokers.

Issuance Date: February 20, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit I includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Cupcake Heaven® business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Cupcake Heaven® franchisee?	Item 20 or Exhibit G and Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in the disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.

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Cupcake Heaven, LLC

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

The Franchisor is Cupcake Heaven, LLC, a Nevada limited liability company, doing business as “Cupcake Heaven.” For ease of reference, Cupcake Heaven, LLC, will be referred to as “we,” “us,” “our,” “CHL” or “Franchisor” in this Disclosure Document. We will refer to the person or entity who buys the franchise as “you,” “your,” and “Franchisee” throughout this Disclosure Document. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the franchise agreement also apply to your shareholders, members, partners, or owners and will be noted. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

We are a Nevada limited liability company, incorporated on June 15, 2021, and our name is “Cupcake Heaven, LLC” and may also use the name “Cupcake Heaven.” Our principal business address is 6630 Jefferson Street, Haymarket, Virginia 20169. We operate and sell franchises for the operation of a business known as “Cupcake Heaven®” (the “Franchise,” “Business” or “Franchised Business”). We offer a franchise agreement (“Franchise Agreement”) for the development and operation of a cupcake shop that offers a variety of gourmet cupcakes at a specific location, which is within a protected territory. Franchisor has never conducted a business of the type to be operated by franchisee. This is the first time CHL has offered franchises of the type described in this Disclosure Document and CHL has never offered franchises in any other line of business. CHL began offering franchises February 28, 2022. Our agents for service of process are disclosed in Exhibit B.

Our Predecessors and Affiliates:

We have no parents. There are two businesses that offer similar products and services to a Cupcake Heaven® business as described below. The following is a list of our predecessors and affiliates including principal addresses and number of locations for each.

Our predecessor, Cupcake Heaven Inc., owned by Kim Newman, began as a Virginia corporation on May 14, 2008, and was later merged into our affiliate, Cupcake Heaven and Café, LLC (“CHC”) which is a Virginia limited liability company that was formed on February 25, 2018. CHC shares the same physical address as us and operates one Cupcake Heaven® business substantially similar to the Franchise Business being offered by us located at 6630 Jefferson Street, Haymarket, VA 20169. Our affiliate, Marshall Cupcakes, LLC (“Marshall Cupcakes”) was formed on January 13, 2023, and operates one Cupcake Heaven® business substantially similar to the Franchise Business being offered by us with a principal business address of 4073 Stanberry Ave., Marshall, VA 20115. CHC will be providing franchisees with our proprietary dry ingredients, flavoring, and logoed coffee sleeves as an approved vendor. We, Marshall Cupcakes, and CHC are independent entities and CHC and Marshall Cupcakes do not assume any of our legal or other obligations or us of theirs. CHC and Marshall Cupcakes are not a competitor and do not offer franchises.

Our Business and the Franchise Offered:

Cupcake Heaven® is a system developed for the establishment and operation of a quick-serve cupcake shop that is devoted to the preparation and sale of freshly baked cupcakes using quality ingredients, proprietary recipes, and batters. Our philosophy is centered on satisfying the craving for a sweet treat by offering full-size gourmet cupcakes made in a variety of flavors and unique creations all in a fun, casual and family-oriented environment. This is a quick-serve cupcake shop that operates year-round and is typically located within shopping centers, strip centers or free-standing structures and can also be operated out of non-traditional locations like: hotels, airports, casinos, transportation centers, universities, stadiums, arenas, theme parks or military installations (all of which must be approved by us). Each Cupcake Heaven® Franchise will offer freshly made cupcakes using our proprietary recipes and batters for either onsite consumption, carry-out or delivery that includes: cupcakes in an assortment of different flavors, our signature cupcake creations (such as chocolate harmony, red white and blueberry, mocha latte, etc.),

gluten free cupcakes, a limited selection of pastries and muffins, hot beverages (such as coffee and tea), hot and cold specialty coffee drinks, cold beverages (such as milk, juices, lemonade and blended smoothies) and retail items for sale (such as: shirts, hats, mugs, etc.) in addition to offering large order packaging and catering services and other food and beverage products or services approved by us. We may authorize the sale of additional products and services in the future such as: cake preparation and decorating services, private party accommodations, limited breakfast items for sale, wine and other food and beverage related products and services approved by us.

Competition includes local and national bakeries serving cupcakes as well as restaurants or other food and beverage establishments operated by national chains, local chains, independent operators and to some extent grocery stores that sell cupcakes similar to what is found in a Cupcake Heaven[®] business. The market for gourmet cupcakes offered by a Cupcake Heaven[®] business is developed and highly competitive, as is the market for obtaining locations in qualified shopping centers, strip centers, free-standing structures, non-traditional locations, or other similar buildings with a captive market customer base. Generally, there is no seasonality to this business. The bakery industry is highly competitive throughout the United States as the market is continuously changing and evolving. We plan controlled expansion into areas that we determine can support a Cupcake Heaven[®] business to improve name recognition and our reputation through franchised businesses.

Cupcake Heaven[®] businesses are characterized by our: distinctive, unique and recognizable exterior and interior layout, content, décor, color scheme, furnishings and signage; freshly made cupcakes using proprietary recipes and batters; specific food and beverage preparation techniques, procedures and methods; service standards, uniformity of all products (including ingredients) and services used and offered, food presentation standards, procedures for sanitation, cooking and storage; specifications for all products and equipment, procedures for purchasing all products and equipment, relationships with vendors and suppliers, tracking inventory and cost controls; guidelines for hiring, training and retaining employees; specific operational procedures to enhance efficiencies, service standards, strategies for executing large packaging and catering services in addition to customer acquisition, loyalty and retention programs; sales, advertising, marketing and promotional strategies and materials; administrative and record keeping procedures; a franchise web page housed within our national website, our confidential and proprietary operations manuals (“Operations Manual,” “Manuals” or “Operating Manuals”) and other manuals which are made available either in hard copy or electronically; all of which may be changed, improved and further developed by us periodically (the “System”).

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including the word and design mark “Cupcake Heaven and Cafe” and the word mark “Cupcake Heaven” which are registered on the principal register of the United States Patent and Trademark Office (“USPTO”), bearing the registration numbers 6876097 and 6876093, respectively. You will be licensed to use not only these marks and design, but also all other service marks, trademarks, slogans, logos, and emblems as we may designate for use in connection with the System (collectively, the “Marks” and each a “Mark”).

Laws and Regulations:

You should be aware that food products may be subject to the Pure Food and Drug Act, as well as Food and Drug Administration (FDA) and Department of Agriculture regulations. The FDA and Department of Agriculture in addition to state and local health departments administer and enforce laws and regulations that govern food preparation, service, and sanitary conditions. You must comply with consumer protection laws and regulations concerning food preparation, handling, and storage, “Truth in Menu” concerning menu item names, product content, labeling and nutritional claims. State and local agencies inspect bakeries and food establishments in general to ensure that they comply with such laws and regulations. Food and Drug laws as well as the FDA and Department of Agriculture regulations concerning the offering, preparation and service of food products may change. Also, the Federal Trade Commission, and the State Attorney Generals prohibit the making of any unfair or deceptive claims concerning the healthiness of any food item. In addition, there is the federal Clean Air Act and various state laws

that impose air quality standards. These standards include limits on emission of ozone, carbon monoxide and other gases and/or particulate matter including emissions from commercial food preparation. Some state and local governments have adopted or are considering adopting laws that regulate indoor air quality, including laws that ban smoking of tobacco products and electronic cigarettes in public places like food establishments. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in bakeries and food establishments such as the level of trans fats and sodium contained in food items. Additionally, the Menu Labeling Provisions of Patient Protection and Affordable Health Care Act require that certain food establishments post calorie information on menus and to provide additional written information to consumers upon request.

In addition to laws and regulations that apply to businesses generally, your Cupcake Heaven® Business will be subject to various federal, state, and local government regulations, licensing and requirements including those relating to site location, zoning ordinances, and building construction (such as the Americans with Disabilities Act as described below), safety, health and consumer protection laws and regulations. Some states may require that you obtain real estate permits, business, occupational, food product and other miscellaneous licenses. We do not assume any responsibility for advising you on such regulatory matters.

Your Business may be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, worker safety, unemployment compensation, workers' compensation, child labor practices, disabled employees, and discrimination in employment practices. You will be subject to the Americans with Disabilities Act, which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities. There may be other laws and codes applicable to your Business, and we urge you to make further inquiries about those laws and codes.

Other than what is stated above, currently we have no knowledge of any regulations specific to the operation of a Cupcake Heaven® business. However, in your state, province or county, there may be local codes, ordinances, statutes, or laws, which license or regulate food establishments as the one being offered in this Disclosure Document and such regulations could affect the operation of your Business. Local county health departments will typically inspect bakeries and food establishments to ensure compliance with safe food handling practices and adequacy of kitchen facilities. You should be prepared for such inspections and assure your compliance. You may also have to obtain health licenses and to comply with health laws and regulations that apply to bakery and food establishments. These laws vary from place to place and can change over time. You must know such laws and regulations in your locality and must make sure that you and all your employees who work in your Business comply with any such laws and regulations as well as obtain any licenses, certifications or permits required by your locality for performing work in your Business. You should consider both their effect on your Business and the cost of compliance. In addition to complying with all laws, we require that you, any Owners (if you are an Entity) and your manager(s) have successfully obtained a food handlers supervisor certification and complete a supervisor harassment training program in your home state and maintain such certification. A food handler's supervisor certification is food handling and safety training that is necessary for the operation of your Business.

We recommend that before signing the Franchise Agreement, you engage an attorney or other professional advisor to assist you in both determining what laws, ordinances and regulations may affect your establishment and/or operation of a Cupcake Heaven® business, and in complying with them. You are responsible for obtaining all certifications, licenses, permits, and inspections required to operate your Business. It is your sole responsibility to keep in force all necessary licenses and permits, to investigate, satisfy and remain in compliance with all local, state, and federal laws, since they vary from place to place and can change over time. We recommend that you consult with your attorney for an understanding of all the laws applicable to your specific Cupcake Heaven® Business.

We have not offered franchises in other lines of business in the past. We do not engage in any business other than the offer of franchises.

ITEM 2

BUSINESS EXPERIENCE

CEO: Kim Newman: Kim has been serving as CEO since our inception in June 2021. From May 2008 to present she has been serving as President for our affiliate Cupcake Heaven and Café, LLC, based out of Haymarket, Virginia.

President: Mark Vincellette: Mark is the brother of our CEO and has been serving as President since our inception in June 2021. From May 2008 to present he has serving as a Director of Marketing for Cupcake Heaven and Café, LLC while also serving as President from July 2019 to present for Lifestyle Backup based out of Las Vegas, Nevada.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

The Initial Franchise Fee (“Initial Franchise Fee”) is \$10,000 for a Cupcake Heaven® Business Franchise in a protected area. The protected area of a Franchise is determined once a specific location is identified and approved by us. The Franchise Fee includes the development of a custom local affiliate web page for your Franchise housed within our national website that includes online ordering functionality and may include access to franchise portals online for ongoing news bulletins and templates for advertising materials to support your Business, web server setup for your web page that may provide you with editing ability to promote local specials or events; a comprehensive nine day training program at our corporate headquarters, an Operations Manual and up to three days of assistance and guidance at your location for either pre-opening or grand opening assistance. You must purchase and maintain an inventory of products, supplies and kitchen equipment from us, our affiliates, or our approved vendors and/or suppliers and you must purchase our proprietary dry ingredients, flavorings, and logoed coffee sleeves only from our affiliate Cupcake Heaven and Café LLC which is estimated to be between \$730 to \$1,200 and the cost for these items may not be refundable (as described in Item 7 and Item 8). You will be provided with a written list of approved products, supplies, kitchen equipment and services you are authorized to use, offer, and sell; and a written list of approved vendors and/or suppliers you are required to purchase such items from during the training program. At the time you sign your Franchise Agreement and anytime you are in good standing under your Franchise Agreement, you may purchase a second franchise and any additional franchise thereafter for a reduced Franchise Fee of \$5,000 each if we offer additional franchises to you and if you meet the following minimum conditions: (a) you must satisfy our then-current qualifications and training requirements; (b) you must not be in default of the Franchise Agreement; and (c) you must execute our then-current franchise agreement.

The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement is signed, is non-refundable and is deemed fully earned upon the opening of the Business for the deliverables described above and as provided in the Franchise Agreement. In certain states, as required by state authorities based on a review of our

financial statements, we may defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you (see state addenda in Exhibit D). “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

We may offer you an option (“Option”) to be awarded a Cupcake Heaven® Franchise, on the terms set forth in the Option Agreement attached as Exhibit F. Under the Option Agreement, you have six months (the “Option Term”) to enter into a Franchise Agreement for your first Franchised Business or for additional Franchise Businesses. For the Option, you pay a nonrefundable fee of \$2,500 (“Option Fee”) that: (i) will be credited toward the Initial Franchise Fee if you exercise the option to purchase an initial franchise during the six-month Option Term or (ii) will be credited toward the franchise fee for an additional franchise if you exercise your option to buy an additional franchise during the six-month Option Term following the purchase of the Option to buy an additional franchise. The Franchise Fee upon exercise of an option will be the same as the Initial Franchise Fee without an Option. Whether you buy an initial franchise or an additional one, you must complete the purchase during the Option Term of the Option Agreement.

The Option Fee is not refundable and is payable in full when you sign the Option Agreement, as applicable, except as provided in Exhibit F.

ITEM 6 **OTHER FEES**

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	4% of Gross Revenues per month starting immediately once the Business is open for operation.	Due by the 7 th day of each month for the previous month.	See Note 1.
System Advertising Fee	1% of Gross Revenues per month starting immediately after the opening of the Business for operation.	Due by the 7 th day of each month for the previous month.	We may increase this fee upon 90 days' written notice to you. However, your total contribution will not exceed 3% of Gross Revenues per month in any calendar year. See Note 2 and Item 11.
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided the interest rate cannot exceed the maximum legal rate.	After due date of fees.	See Note 3.

Audit Expenses	Cost of Audit Fees plus interest @ 18% per annum (1.5% per month) up to the maximum interest rate allowed by law.	Ten days after receipt of audit report.	Payable to us if you understate Gross Revenues by 2% or more. We expect the cost to be between \$4,500- \$7,500 unless your financial records are not well kept.
Additional Training	Up to \$200 per person per day or costs of third-party charges. You are responsible for all room, board, and travel expenses.	At time training is scheduled and/or additional assistance is requested by you.	While the Initial Franchise Fee includes the cost of our initial training program, the Initial Franchise Fee only covers training for up to three individuals. See Item 11. Additionally, this fee is applicable to the transferee upon an approved transfer of the Franchise for the initial training program and additional training.
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred.	Payable as incurred by us in obtaining injunctive relief or the enforcement of any term of the Franchise Agreement. See Note 4
Indemnification	Will vary under circumstances.	On Demand.	As Incurred; See Note 4.
Loyalty Program Software Fees	Currently \$45-\$105 per month for the usage and ongoing support of specific loyalty program software necessary for the operation of your Business.	Monthly	Payable to us, our affiliates and/or approved vendors. See Note 5.
Laundry Service Fees	Currently \$120-\$140 per month for professional laundry services.	Monthly	Payable to us, our affiliates, or approved vendors. See Note 6
Music Subscription and Licensing Fees	Currently \$30-\$45 per month to subscribe to a commercial -free music service.	Monthly	Payable to us, our affiliates, or approved vendors. See Note 7
Inspection Fee	\$2,000 if you fail to pass an inspection for the second time.	On Demand.	Payable to us See Note 8 and Item 8.

Web Page Edits, Updates, Changes, Maintenance and Promotion Fee	Currently \$65-\$125 per hour that may be necessary to update and/or promote your web page.	As Incurred	Payable to us, our affiliates and/or approved vendors. See Note 9.
Renewal Fee	A flat \$2,500 for each Franchise.	At the time of renewal for each Franchise.	For the same protected area.
Transfer Fee	A flat fee of \$2,500 when you transfer a part (less than 49% of all the assets) of the Business or a flat fee of \$10,000 when you transfer all of the Business (more than 49%). If transferee came from our lead database, you may be required to pay the then-current referral fee to us plus any costs associated with applicable broker fees.	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the business is transferred.
Product, Vendor and Equipment Assessment Fee	Up to \$100 per product or vendor \$300 for equipment testing plus our expenses if we travel to test such equipment or our actual costs incurred.	On Demand	See Note 10.
Resale Fee	Varies	On Demand	If you ask and we agree to assist you in finding a buyer for your Business, you pay us a fee to cover our costs and expenses, including time committed by our personnel.
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Business. If not done, we can appoint a manager for up to 90 days, renewable up to one year. All expenses, including manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.

Conference Fee	Conference fee, travel, transportation, lodging, meals, and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed \$1,000 per person although we will attempt to keep the cost down, so it does not exceed our cost.	As Incurred.	As Incurred and payable to third parties and us.
Refresher Training and/or Continuing Education	Will vary under circumstances. Refresher or continuing education is estimated not to exceed \$200 per person per day plus your travel expenses or our expenses if we come to your location.	As Incurred.	The location for refresher training and/or continuing education will be at our headquarters although we reserve the right to provide them over the Internet or phone. There may be an annual conference for all franchisees to attend and other conferences as needed. See Item 11, (14) (iv) for more detail.

Except as stated above, you pay all fees to us and they are uniformly imposed. All fees are non-refundable.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises (including on any alternative channels of distribution such as on the Internet, mobile devices, etc.); which includes all revenues generated from the sale of all products and performance of services. Gross Revenue also includes fair market value for any product or service you receive in barter or exchange for your products or services and all insurance proceeds that you receive for the loss of the Business due to a casualty to, or similar event at, the Business. We exclude only (i) the gratuities paid by customers to employees of the Business; (ii) sales tax receipts that you must by law collect or pay; (iii) any refunds or voided transactions under 1% you give to customers and customer refunds of previous payments you actually make; (iv) the retail value of any donated and/or complimentary (free) products and services offered to customers or employees up to a maximum of 2% of Gross Revenues for the Business; and (v) gift card sales that you make from your Business (to the extent such revenue is recognized at the time of redemption). We have the right to change, modify or discontinue your ability to exclude refunds and voided transactions, donated and complimentary products and services from your Gross Revenue calculation for any reason whatsoever upon 90 days' notice to you.

The royalty obligation begins immediately after your Business is open for operation then continues for the term of your Franchise. The royalty is due and payable monthly on the 7th day of each month and must be received how we specify. The royalty rate is 4% of Gross Revenues for your previous month for the entire term of your Franchise Agreement. If we terminate your Franchise Agreement, you may be required to continue royalty payments for the remainder of the term of your Franchise Agreement.

Royalty fees shall be payable only to us and collected by us through electronic transfer with direct deposit to us from your account. Under our current automatic debit program, you must make required funds available for withdrawal by electronic transfer before the due date. See the Direct Deposit Agreement attached as Schedule 1 of

the Franchise Agreement. We reserve the right to change the time and manner of payment upon written notice to you. All royalty fees are uniformly imposed. All royalty fees are non-refundable.

Note 2: You will pay us a System Advertising Fee contribution equal to 1% of Gross Revenues per calendar month, regardless of your Royalty Month, as defined in the Franchise Agreement. The System Advertising Fee begins immediately once your Business is open for operation and is due on the 7th day of each month and continues for the term of your Franchise. We may raise, discontinue, or reduce the contribution, but your total contribution will not exceed 3% per month of your Gross Revenues in any calendar year. Gross Revenue is defined in the Franchise Agreement and in Note 1 above. You pay the System Advertising Fee contribution at the same time and under the same terms as the royalty described above. System Advertising Fees are uniformly imposed on all franchisees.

We will place the System Advertising Fee contributions in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development, administration (including our salaries, accounting, collection, legal, and other costs), related expenses, and any media costs (including any media production costs). We make the expenditures at our discretion. We do not represent that any level of expenditure will be made for programs or to benefit franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any System Advertising Fees. All system advertising fees are collected only by us, and payable only to us. All system advertising fees are non-refundable.

Note 3: Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments, provided; however, no interest shall be charged in excess of the maximum rate allowed by law. All interest and late charges are payable only to us and collected only by us. Interest and late charges are uniformly imposed. Interest and late charges are non-refundable.

Note 4: You must protect, defend, indemnify, and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the agreement and we engage an attorney for collection or enforcement, you must pay all our damages, legal fees and costs to the extent permitted by law. We are the only one who imposes and collects Indemnification costs. Indemnification costs may vary based on the claims, lawsuits, and losses that we incur arising out of your operation of the Business (Franchise Agreement Section XVIII).

Note 5: You are required to use a specific third-party loyalty program software for the operation of your Business. This software program is specific to the food industry that manages your incentive-based programs, all customer information, and tracks customer visits in addition to providing reporting functionality and integrates well with your point-of-sale system. The software fee is for the usage and ongoing support and is currently \$45 per month for up to 500 customer visits then increases in increments of \$30 for every 1,000 customer visits thereafter with the fee capping off at \$105 for 1,500 or more customer visits. Software fees are payable to us, our affiliates, or approved vendors.

It is your responsibility to install and upgrade the technology hardware, networking, and software for your Business. You will have sole authority and control over the use of all software, day-to-day operations of the Business and your employees. At no time will your employees be deemed to be employees of ours. Loyalty program software fees are non-refundable and we may change the loyalty software upon 90 days' written notice to you and you will be required to adhere to our new loyalty software and fees at your own expense. Loyalty software fees may be changed in response to any increase in the United States Consumer Price Index, if additional features are offered; or if the manufacturers of such loyalty software believe that conditions in the overall economy or in the market for such services warrant any change in fees. Loyalty software fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors (Franchise Agreement Sections X.E, XII.H, XII.I and XX.A).

Note 6: You are required to use a professional laundry service to clean your aprons, towels, and mats. It is your responsibility to manage the laundry services for your Business so that all aprons, towels, and mats meet our cleanliness standards, which will be provided to you during the initial training program. Currently laundry service fees are \$120-\$140 per month and payable to our approved vendors. We may change such laundry service requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new laundry service requirements at your own expense. Laundry service fees may increase or decrease depending on your usage, may increase from our vendors in response to any changes in the United States Consumer Price Index, if additional services are purchased or if conditions in the overall economy or in the market for such laundry services warrant any change in fees. Laundry service fees are non-refundable (Franchise Agreement Sections X.F and XII.H).

Note 7: You are required to obtain a commercial-free music subscription from our approved vendors for the operation of your Business. Such music subscription allows you the ability to have streaming commercial-free music in your Business. Music subscription and licensing fees range from \$30-\$45 per month which includes any required music licenses you need and is payable to our approved vendors. It is your responsibility to install and upgrade the music equipment and software required for such music subscription for your Business. We may change such music subscription and licensing requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new music subscription and licensing requirements at your own expense. Music subscription and licensing fees may increase from our vendors in response to any changes in the United States Consumer Price Index, if additional services are purchased or if conditions in the overall economy or in the market for such music services and licensing warrant any change in fees. Music subscription and licensing fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors (Franchise Agreement Sections X.G, XII.H and XII.I).

Note 8: You are required to maintain our quality standards, product specifications and cleanliness standards. We reserve the right to charge you a fee of \$2,000 if we inspect your Business and you do not pass the inspection for a second time in any two-year period. This fee is non-refundable and in addition to any product, vendor or equipment assessment fee as described below (Franchise Agreement Sections X.H and XII.Q).

Note 9: We, our affiliates and/or our approved vendors will complete all changes, updates, and promotions to your web page. Any requests for changes or updates to the content of your web page and/or any type of website promotion you wish to do must be approved by us in writing and performed by us, our affiliates and/or our approved vendors. We will respond to you within 30 days of our receipt of your request for all web page changes. The web page maintenance and promotion fee is currently \$65-\$125 per hour and is payable to us, our affiliates, or our approved vendors. We may change our web page maintenance and promotion fee requirement upon 90 days' prior written notice to you and you will be required to adhere to our new web page maintenance and promotion fee requirements at your own expense. The fees may be changed in response to any increase in the United States Consumer Price Index, if we choose to offer additional features, if we choose to provide additional web pages or if we believe that conditions in the overall economy or in the market for services warrant any change in fees. Web page maintenance and promotion fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors (Franchise Agreement Section X.I).

Note 10: You will be required to obtain our written approval for any product (including any ingredient), vendor and/or supplier or piece of kitchen equipment you wish to use or offer in the operation of your Business (as described in Item 8) and you will be responsible for paying us an assessment fee. This fee is up to \$100 for any single product (including any single ingredient), vendor and/or supplier you wish to use, offer and/or substitute in your Business. The fee for kitchen equipment testing is a minimum of \$300 per piece of equipment plus our expenses if we travel to test such equipment or the actual costs incurred by us. We may waive these fees if the products (including any ingredient and/or retail item), vendors and/or suppliers or kitchen equipment you select meet our requirements and make it on our approved list of products, vendors and/or suppliers and kitchen equipment for all franchise locations.

All product, vendor and equipment assessment fees are payable only to us. However, if we need to use the services of a third party to conduct the testing, we reserve the right to impose an additional fee. Product, vendor, and equipment assessment fees are non-refundable and are uniformly imposed. Product, vendor, and equipment assessment fees are collected only by us, and payable only to us (Franchise Agreement X.J).

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$10,000	\$10,000	Lump sum; the Initial Franchise Fee is \$10,000 for a defined territory which includes training and a web page. The Initial Franchise Fee is non-refundable.	At signing of the Franchise Agreement	Franchisor
Technology	\$2,500	\$5,500	As incurred; for one computer or laptop, a POS system, software, printers, modem, routers, sound system and telephone system.	Before opening	Payable to us, our affiliates, or approved vendors See Note 1
Kitchen Equipment, Furniture and Fixtures	\$10,900	\$34,500	As incurred; actual costs will vary based on the size of your facility. Estimated expenses are for all kitchen equipment, furniture, and fixtures necessary for the operation of your Business.	Before opening	Payable to us, our affiliates, or approved vendors See Note 2
Real Estate	\$5,200	\$6,150	As incurred; estimated expenses are for your business location and are based on leasing an 800 to 1,500 square foot facility. This estimate includes only the first month's rent plus a security deposit.	Before Opening	Landlord See Note 3
Leasehold Improvements	\$1,000	\$55,000	As incurred; the costs to construct interior alterations, improvements, flooring, lighting, and decorating the facility will depend on the extent of the renovations needed to convert space into separate areas and any allowance you negotiate with the landlord for construction.	Before Opening	Landlord See Note 4
Utilities	\$250	\$600	As incurred; utility company deposit, the cost of the utility deposit will vary due to policies of local utilities and is an estimate.	Before Opening.	Local Utility Suppliers
Signage	\$1,000	\$6,500	Lump sum; estimated cost for the delivery and installation of interior and exterior signage. We specify and provide you with signage guidelines in the Operations Manual. Signage expenses are not refundable.	Before Opening	Payable to us, our affiliates, or approved vendors

Start Up Inventory	\$13,900	\$21,000	Lump sum; estimates for a startup inventory of products and supplies necessary for your Business.	Before Opening	Payable to us, our affiliates, or approved vendors See Note 5
Staffing	\$3,500	\$10,000	As incurred; you will need to hire part-time bakers, part-time front of house multi-positional employees and one general manager. The low end of this estimate takes into account you are the baker, general manager and you perform all administrative duties hiring only part time multi positional employees. The high end of the estimate takes into consideration you hire part-time bakers and multi positional employees, you are the general manager and you perform all administrative duties. This is an estimate for your one month prior to opening for operation and your first month in operation.	Over the course of one month prior to opening for operation and your first month of operation.	Salaries and Expenses
Uniforms	\$750	\$1,500	Lump sum; this is an estimate for a minimum inventory of logoed aprons and name badges for all your employees and aprons for your back of house employees.	Before Opening	Approved Vendors See Note 6
Insurance	\$1,200	\$2,000	As incurred; before commencing operation of your Business and as required by the insurance company. Estimate excludes workers' compensation insurance.	Spent over the course of 12 months	Payable to third parties; See Note 7
Travel, Lodging and Meals for Initial Training Program	\$1,900	\$3,200	As Incurred; training held at corporate headquarters. You are responsible for all costs associated with attending such as travel, room, and board. Estimate provided are costs for one person. Additional training is available at your request for which an additional training fee of up to \$200 per person per day may be required.	As Incurred	Third Parties
Licenses, Permits, Certifications and other Professional Fees	\$1,500	\$3,500	As incurred; licenses, permits and food handling certifications required to operate your Business and any professional legal and accounting fees incurred.	Before Opening	Appropriate licensing authorities and Third Parties
Additional Funds (3 Months)	\$15,000	\$30,000	As incurred; additional funds necessary for start-up of your Business which includes working capital for three months.	Spent over the course of first three months	See Note 8
Total	\$68,600	\$189,450			

Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable.

Note 1: You must purchase computers or laptops, a POS system, software, printers, modems and routers and a phone system for the operation of your Business as specified in the Operations Manual. The low end of the estimate represents current costs for: one computer or laptop, one POS system (that includes one terminal, software, one receipt printer, one cash drawer and merchant service equipment), one printer/copier machine, modems and routers, sound system and a telephone system. The high end of the estimate represents current costs for: one computer or laptop, one POS system (that includes two terminals, software, two receipt printers, two cash drawers and merchant

service equipment), one printer/copier machine, modems and routers, sound system and a telephone system. You must purchase only approved computers and laptops, POS systems, software, sound systems and phone systems that meet our specifications, which may change from time to time. We base our estimates on the technology costs incurred by our affiliate that operates their company-owned location. All such items must be purchased through us, our affiliates and/or vendors or suppliers approved by us and may or may not be refundable depending on the terms of the invoice or purchase agreement (Franchise Agreement Sections XII.H, XII.I and XX.I).

Note 2: This is an estimate for the items you will need for kitchen equipment, furnishings, and fixtures. You must purchase various used or new pieces of kitchen equipment for the operation of your Business as specified in the Operations Manual. The kitchen equipment you will need to operate your Business includes, but is not limited to: commercial ovens, commercial grade refrigerators, commercial grade freezers, commercial mixers, microwave, coffee makers, coffee grinders, kitchen ventilation system and an ice machine. The furnishings and fixtures necessary to operate your Business include but are not limited to: tables, chairs, counters, fabricated stainless steel work tables, three-compartment sink, shelving, storage racks and one small safe or lockbox. The low end of the estimate is based on opening an 800 sq. foot facility, purchasing some used equipment, financing a kitchen ventilation system, and purchasing a used ice machine and does not include a walk-in cooler. The high end of the estimate is based on opening a 1,500 sq. foot facility, purchasing new equipment, financing a walk-in cooler, an espresso machine, ovens, ice machine and a kitchen ventilation system. Actual kitchen equipment, furniture and fixture costs may vary due to the square footage of your facility and if you choose to purchase rather than finance the ovens, espresso machine, kitchen ventilation system and ice machine and/or choose to have a walk-in cooler (if you choose to purchase such items your costs will be significantly higher than what is reflected in the estimate). We based our estimate on the kitchen equipment purchase (and finance costs) incurred by our affiliate that operates their company-owned location. Sales tax is charged separately by each state and may range from 3%-10% of the purchase price and is not included in these estimates. You are responsible for paying all applicable sales taxes. You must finance or purchase all kitchen equipment, furnishings and fixtures from us, our affiliates or our approved vendors and suppliers. In addition, you must finance or purchase all kitchen equipment, furnishings and fixtures that meet our specifications, which may change from time to time. The cost of all kitchen equipment, furnishings and fixtures will depend on financing terms available, the condition of the kitchen equipment, furnishings and fixtures and other factors. You may be able to take advantage of tax benefits for the purchase of all your kitchen equipment, furnishings, and fixtures and as such, you are encouraged to talk with a tax professional. Expenses for the kitchen equipment, furniture and fixtures do not include shipping or delivery costs and may or may not be refundable depending on the terms of your invoice, finance, or purchase agreement (Franchise Agreement Sections XII.H, XII.I and XX.D).

Note 3: A typical Cupcake Heaven[®] business is in a shopping center, strip center or a free-standing building with 800-1,500 square feet of space. Cost per square foot will depend on your geographic area and we estimate such costs to be approximately \$2.05 per square foot (approximately \$25 per square foot annualized) on the low end to approximately \$3.25 per square foot (approximately \$34 per square foot annualized) on the high end. We used these figures for the low and high estimates given above when leasing a space with moderate to high visibility. These estimates are taking into consideration the bigger the space you lease, traditionally the lower the cost is per square foot. These sums do not include common area maintenance (“CAM”) fees which (if applicable) will vary depending on your location or any sums for the purchase of real property, as we do not expect that you will buy real property. Real estate costs depend on location, size, visibility, economic conditions, accessibility, and competitive market conditions. You may be able to reduce this expense if you are able to occupy a space in an existing location that complements another business. The space must be enclosed and separate from the other businesses with its own locking door. We base our estimate on the costs that our affiliate incurred in operating their company-owned location. Lease payments for periods of time that you occupy your premises may not be refundable. In the event you leave your leased premises before the termination of your lease, you may owe the landlord payment for the entire lease term depending on the terms and conditions of your lease.

Note 4: We advise you to find a space needing minimal leasehold improvements. In most cases you will need to alter the interior of your Business before you open for operation. Leasehold costs will vary widely and may be significantly higher than what is projected in the table above depending on factors such as property location, the condition of the property and the extent of alterations required for the property. A typical Cupcake Heaven® has one large counter-service area that incorporates limited seating, one closed off kitchen, one storage room, small office, and bathrooms. The low end of the estimate takes into consideration you find space taking over a second-generation space (for example an existing bakery or restaurant space) which will reduce your leasehold expenses. The high estimate takes into consideration building out a complete facility which reflects the potential need to build out a kitchen, hand washing and mop sinks, fire sprinklers, fire alarms, phone lines and modify and/or add an HVAC system that entails mechanical, electrical, and plumbing costs. However the high end does not take into consideration having to add bathrooms. These estimates also do not take into account the build-out costs for a drive-thru as a drive-thru is optional and is not required. If you choose to build out a drive-thru your costs will be significantly higher than what is reflected in the above estimates. In addition, we assume that your landlord will provide connections to adequate electrical, gas, water and sewage service and your landlord may provide tenant improvement allowances. We base our estimates on the costs that our affiliate incurred when building their company-owned location. You should investigate all these costs in the area in which you wish to establish a Cupcake Heaven®. We will provide you with standard layouts and design options for your Business; however, it is your responsibility to hire an architect to create a complete set of drawings based on the size of your facility and local permitting requirements. Architect and permitting costs are not included in this estimate. Whether or not any leasehold improvements or build out expenses are refundable depend on the terms and conditions of your contracts with construction and mechanical contractors, as well as your lease agreement (Franchise Agreement Sections XII.S and XII.T).

Note 5: You must purchase products and supplies for the general operation of your Business as specified in the Operations Manual. You must purchase only approved products and supplies, and you must purchase products and supplies that meet our specifications, which may change from time to time in our discretion. The types of products and supplies include, but are not limited to: coffee beans, dairy products, dry goods (such as: our proprietary dry ingredients, cocoa, sugar, spices, mixes, etc.), cooking oil, syrups, jams, sauces, our proprietary flavorings, a variety of non-alcoholic beverages (such as coffees, teas, milk, juices, lemonade and blended smoothies), paper goods (such as: cupcake liner, coffee sleeves, napkins, paper towels, etc.), packaging materials (such as: boxes, plastic bags, etc.), disposables (such as: hairnets, gloves, plastic silverware, cups, straws, etc.), cooking supplies (such as: different size pans, baking sheets, mixing bowls, cooking utensils, cutting boards, knives, measuring cups, etc.), pastry bags, scales, trash receptacles, a variety of plastic bottles, storage containers, hand towels, miscellaneous retail items (such as: logoed shirts, hats and mugs), basic office supplies, cleaning supplies, fire extinguishers and other miscellaneous products or supplies as specified by us. All items mentioned above must be purchased through us, our affiliates, or approved vendors and/or suppliers, except all advertising, promotional materials and miscellaneous forms must be purchased directly from us or our affiliates. We base our estimate of product and supply costs that have been incurred by our affiliate when opening their company-owned location. Whether or not any of the purchases for products and supplies are refundable depends on the terms of the invoice or purchase agreement with suppliers (Franchise Agreement Sections XII.I and XX.I).

Note 6: You must purchase and maintain an inventory of approved uniforms for the operation of your Business. You must purchase logoed aprons and name badges for all your employees from us, our affiliates and/or our approved vendors. All uniforms must meet our specifications, which may change from time to time. You will need a minimum inventory of approved aprons and name badges for your first month of operation. This estimate does not include any shipping costs, which (if applicable) are your responsibility. Whether or not any of the purchases for uniform apparel are refundable depends on the terms of the invoice or purchase agreement with suppliers.

Note 7: This estimated amount represents twelve months of pre-paid insurance premiums that do not take into account workers' compensation insurance, which may vary greatly by state, payroll, and classification. You must obtain and keep general liability insurance and product liability insurance (covers you for damages that result in

injury from products that you distribute) with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or in amounts we may require, to reflect inflation, identification of new risks, changes in law or other relevant changes in circumstances. You are also required to obtain property and casualty insurance that covers the assets of the Business, “All Risk” insurance coverage for property that is not included in other insurance policies, workers’ compensation insurance as prescribed by law and business interruption insurance. Due to varying factors that affect the cost of workers’ compensation insurance, the cost of workers’ compensation insurance is not included in this estimate. We may change insurance requirements on reasonable notice to you. We base our estimates on the insurance costs incurred by our affiliate at their company-owned location. Whether or not insurance premiums are refundable depends on the terms of your insurance policies. In general, the cost of insurance coverage will vary depending on the carrier’s charges, terms of payment and your claims history (Franchise Agreement Section XIII).

Other insurance such as, tenant’s liability, automotive liability insurance, professional liability insurance (covers you for damages that arise that do not result in property or bodily injury), cyber liability insurance, employer’s liability insurance, employment practices liability insurance and employee dishonesty insurance are optional; however, we may require you to obtain this coverage in the future with liability limits of amounts we specify. We may change these insurance requirements on reasonable notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depends on the terms and conditions of your insurance policies.

Note 8: We base this estimate on the costs that our affiliate incurred when opening their company owned location. This also includes estimates of miscellaneous startup costs such as: rent for an additional two months (first months’ rent is already included above), purchasing additional kitchen equipment, products, and supplies; utilities, hiring additional staff, workman’s compensation insurance payments (if applicable), shipping and delivery fees, tax deposits, prepaid expenses, additional permits, legal fees, accounting fees and other miscellaneous costs.

Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our principals’ combined experience when preparing these figures. The actual amount of funds you will need depends on a variety of factors, including: the size of your facility, if you choose to lease a second generation space compared to an empty shell, the location of your Business, build-out expenses, if you choose to build out a drive-thru for your Business, the time of year when you open your Business, if you choose to finance or purchase some of your kitchen equipment, the amount of kitchen equipment, products and supplies you purchase, how many employees you hire, implementation of a marketing plan, your own management skill, economic conditions, competition in your area and other factors. The estimate of initial investment funds is based on an owner-operated business; or incorporating business operations within an existing complementary business and does not include salaries or benefits for full-time employees. As your Business grows, you may choose to hire additional employees to carry out support service tasks.

These figures are just estimates and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. This estimate of startup costs is calculated for a period of one month (except as stated otherwise), with additional operating capital to be available as may be needed during the initial phase. These costs do not include your Royalties and System Advertising fees, which begin immediately once your Business is open for operation. These costs should be included in your projections of overall operations costs beginning with your first month of operation. We acknowledge that you may choose to invest additional funds into your Business during the first three months of operation, and sometimes longer, but we cannot estimate or promise when, or whether, any individual franchisee will achieve positive cash flow or profits. You should review the figures carefully with a business advisor and identify your individual expenses along with cash flow projections before making any decision to buy a franchise.

We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise. The availability and terms of third-party financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and the lending policies of financial institutions. The estimate does not

include any finance charges, interest, or debt service obligation, or your living expenses. You should have sufficient capital or other means to pay for your living expenses for at least six months of operation.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer certain products, supplies, kitchen equipment or services and we may become approved suppliers or the only approved supplier(s) for these and other products, supplies, kitchen equipment and services. The products, supplies, kitchen equipment and services include: ingredients (such as: our proprietary dry ingredients and flavorings, cocoa, sugar, spices, mixes, dairy products, cooking oils, jams, sauces, etc.), coffee beans, a variety of non-alcoholic beverages (such as coffees, teas, milk, juices, lemonade and blended smoothies), supplies (such as: paper goods, packaging materials, disposables and cooking supplies), miscellaneous retail items (such as: logoed shirts, hats and mugs), kitchen equipment (such as: commercial ovens, commercial grade refrigerators, commercial grade freezers, commercial mixers, microwave, coffee makers, coffee grinders, etc. as described in Item 7), furnishings and fixtures, technology items (such as: computers or laptops, POS system, sound system, phone system, etc.), software, signage, uniforms, merchant services, loyalty program software services, laundry service providers, music service providers, printed advertising materials, shows and event marketing opportunities and vendor, co-branding, affinity programs. You cannot purchase unapproved products or supplies and/or purchase unapproved kitchen equipment from any vendor and/or supplier that are not on our pre-approved list without our written permission. We will provide you with: a written list of approved products, supplies, kitchen equipment and services you can use and offer in your Business; recommended procedures and strategies when purchasing products and supplies and leasing or purchasing kitchen equipment for your Business; and a written list of approved vendors and/or suppliers to purchase and/or finance kitchen equipment, products, supplies and services from during our initial training program. Currently we are not the only approved supplier of such items that you are required to use or sell in the operation of your Business, except you must purchase all miscellaneous forms, advertising, promotional and marketing materials and updates from us or our affiliates. As of the date of this Disclosure Document, all updates to such advertising, promotional and marketing materials are optional, but we may in the future mandate that you purchase certain updates at your expense. If we develop additional proprietary products, equipment, or software in the future, you must purchase such items from us, our affiliates, or approved suppliers. We may become the approved suppliers or the only approved supplier for products, supplies, kitchen equipment and services in the future. We have negotiated purchase arrangements with vendors and/or suppliers for the benefit of you in the areas of costs and customer support. There are limited supply contracts at this time.

Cupcake Heaven and Café, LLC which is our affiliate is currently the only approved vendor and supplier for our proprietary dry ingredients, flavorings, and logoed coffee sleeves to be purchased by you for the operation of your Business. For the previous fiscal year 2023, our affiliate has received \$2,842.50 in total revenue from purchases for such items which equaled 99.7% of our affiliate's total revenues.

You are required to adhere to the standards and specifications established periodically by us with respect to your Cupcake Heaven® Business which includes: all products (including ingredients) used, offered, and sold; recipes, preparation and presentation standards, cleanliness standards, operational procedures, advertising, vendors, and services to be offered through your Franchise and other items for the operation of your Business. You must operate the Business in strict conformity with the methods, standards, and specifications that we prescribe in the Operations Manual or otherwise in writing. You must maintain in sufficient supply, use, offer and sell at all times only the products (including ingredients), supplies, kitchen equipment and services that meet our standards and specifications. We may change our standards and specifications as a result of experience or changes in the marketplace and we will issue such changes to all franchisees. You are not permitted to: use or purchase unauthorized products (which

includes ingredients), use the products or services of an unapproved vendor or purchase and/or finance equipment from an unapproved supplier; offer or sell any other products (including retail items) not approved by us, unless you first submit a written request to us for approval and agree to be responsible for all product, vendor and equipment fees described in Item 6 and below in this Item 8. We will use our best efforts to advise you within thirty (30) days whether such products, supplies, kitchen equipment, vendors or suppliers are approved as further described below.

We base our specifications for all products, supplies, kitchen equipment, vendor, and supplier approvals on our discretionary determination of demand, relevance to the System, price, value, quality, reliability, accuracy of product claims, safety, warranty, prompt attention to complaints, financial stability, litigation against supplier, recall history, reputation, frequency of delivery, appearance and contributions or other benefits to us and/or any marketing fund. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. We have the right to disapprove any product, piece of kitchen equipment and/or supply sources that are not on our approved vendor list. You may not use any product, piece of kitchen equipment, service, vendor, or supplier that we do not authorize, and you are prohibited from using, offering, or selling such in your Business. We may require vendors and/or suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications. There is a product, vendor and equipment assessment fee for supplier approval and we may require third party testing, in which case you will pay the actual cost of the tests as described in Item 6. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. We will respond to a written request by you to approve a product (including any single ingredient), piece of equipment or a supplier within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved product (including an ingredient or retail item), piece of kitchen equipment, vendor or supplier does not adhere to the specifications described above. We will notify you either by email or any other written form of communication of our approval, disapproval, or revocation of any prior approval of any product, kitchen equipment, vendor, or supplier.

You must use and offer only the products (including ingredients and retail items), supplies, kitchen equipment and services that we specify in writing which may be amended or modified by us periodically. You are not required to maintain a minimum inventory of products in your Business; however, we retain the rights to do so in the future. If we require you to maintain a minimum inventory of products (currently not in effect) we will notify you by email or any other written form of communication and you will have 90 days to comply with such requirements at your cost. We will provide you with a written list of approved products (including ingredients and retail items) that you can use, offer and/or sell in your Business after signing the Franchise Agreement and during our initial training. If any product (including any type of ingredient or retail item), piece of equipment, service, vendor, or supplier is not authorized by us, you are prohibited from using, offering, or selling it in your Business. We will enforce these requirements by using “secret shoppers” or unannounced on-site visits to your Business on a regular basis. When we make visits to your Business, such as to assist you, we may also take that opportunity to visibly inspect your inventory and determine if you are using or offering unauthorized products (including ingredients and retail items), kitchen equipment or services. In addition, we expect to receive information from other Cupcake Heaven® businesses or from customers of your Business reporting that unauthorized products (including ingredients and retail items), pieces of kitchen equipment or services are being used, offered, or sold in the Business. You must permit us or our agents, at any reasonable time, to remove a reasonable number of products (including food or non-food items) or pieces of equipment from your Business free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6). In addition, to maintain the highest degree of quality and service, we reserve the right to charge you an additional fee of \$2,000 if we inspect your Business and you do not pass the inspection for a second time in any two-year period. We reserve the right to take whatever action we deem necessary in our absolute and sole discretion to prevent you from using,

offering, or selling unauthorized products (including ingredients and retail items), supplies, kitchen equipment or services, including seeking injunctive relief or terminating your Franchise Agreement.

We may derive profit through markups of the prices charged to you for products, supplies, kitchen equipment, signage, or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved suppliers. For the last fiscal year, we received nothing in allowances, rebates, or commissions from our approved suppliers. If in the future we require you to buy from us or when you are required to buy from our affiliates, the product's price and quality will be comparable to similar products from other sources. We may take a portion of that income to spend on advertising or place it in a separate franchisee advertising account. If we require you to buy products, supplies, kitchen equipment or services from a vendor that pays such allowances, at our discretion, we may spend all such fees on related advertising or place them in the separate franchisee advertising account, described in Item 11 below. We did not receive any such revenues from required purchases made by franchisees in the prior fiscal year.

To maintain uniform quality standards, all products, kitchen equipment, services, signage, advertising, trademark usage, trade dress, uniforms and other supplies and services you use to operate your Business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, rewards and/or loyalty programs, community programs, gift certificate or gift card programs we may establish and follow our and our supplier's requirements and guidelines. We will require you to use specific software, miscellaneous forms, contracts, checklists, marketing, and promotional items; and we may require you to use or contribute to specific loyalty program software services, laundry service providers, music service providers, vendor discounts, allowances, and rebates.

We maintain specifications for the construction and build out of your Business, leasehold improvements, furnishings and fixtures, kitchen equipment, technology items (such as: computers or laptops, POS system, sound system, phone system, etc.), software, signage, and décor to be used for the interior and exterior of your Business. You may not install or permit to be installed on the Business premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines, or other items without our written consent or that do not comply with our specifications. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. In most cases, we will make available the specifications which contain confidential and proprietary information to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either through our research and development staff or with a manufacturer and we can modify any of them periodically.

One of our primary methods of communication with franchisees is through email, text messaging, memos, or newsletters we may periodically publish, and an intranet system we may provide to franchisees on our website. You are responsible for knowing all the information contained in the emails, text messages, memos, newsletters, and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Business through our emails, text messages, memos, newsletters, and intranet system as well as by written notices and emails described above.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements that we prescribe in our Operations Manual. You must submit samples of all advertising or promotional plans and materials (including photographs and videos) that you desire to use to us for approval if such has not been prepared or previously approved by us. You may not use any marketing or promotional materials (including photographs or video presentations) that we have disapproved. This includes any media or website promotion over the Internet to promote your Business. You must submit a request to us for any type of media, website and/or Internet promotion you wish to do in addition to any proposed edits, changes, or updates to your web page. Internet promotions, edits, changes, or updates to your web page must be done by us, our affiliates, or approved vendors with our consent. We will charge a fee for this

approval (as described in Item 6). Upon approval of your request, you may be responsible for any web page maintenance cost. Our response to your request for such advertising or promotional plans and materials (including photographs or video presentations) and Internet promotions, edits, changes, or updates to your web page will be made within 30 days after we receive it. We will notify you by email or any other written form of communication of our approval or disapproval. In addition, you must not conduct any advertising without our written permission, in any Social Media such as Yelp, Twitter, Facebook, Instagram, LinkedIn, Pinterest and others (currently franchisees are authorized to participate on Facebook, Instagram and Yelp). You must also supervise your employees to assure they do not post any material on Social Media sites or any internet sites, regarding us or the franchise System whatsoever. We will provide you with our written standards and guidelines for using social networking sites during the initial franchise training program.

For a Cupcake Heaven[®], you are obligated to purchase and/or finance kitchen equipment, furniture and fixtures, technology items (as described above) software, signage, uniforms, and an inventory of products and supplies for the operation of your Business. We estimate that all your initial expenditures from us, our affiliates, or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 35%-45% of your total initial purchases, depending on whether you choose to finance or purchase your kitchen equipment. We anticipate that during the operation of your Business, required purchases from us, our affiliates, or the vendors that we specify or approve (not including your lease, royalties, or labor costs) are estimated to be approximately 35%-50% of your total monthly purchases in the continuing operation of your Business (this depends on the size of your Business, amount of inventory you purchase and sales volume).

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. We do not belong or require you to belong to, any purchasing or distribution cooperatives, although we retain the right to establish them and to require your membership therein.

When you open a location for your franchise under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us (provided such assignment shall not relieve you of your obligations under the lease or cause us or our designee to have any obligations or liability under the lease).
2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease, to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

Before you open a Cupcake Heaven[®] for operation, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and you must provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
2. “All Risks” or “Special Form” coverage for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
3. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount that covers the assets of the Business;
4. Product liability insurance that covers you for damages that result in injury from products that you provide with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or an amount we reasonably specify;
5. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.
6. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising fees and other fees due to us and/or our affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business interruption insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners.
7. Employer liability insurance (optional) that covers you and your Business against claims made by employees for work-related bodily injury or disease, other than liability imposed on you and your Business by workers' compensation law;
8. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment, and other employment related obligations;
9. Automobile liability coverage (optional) including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 for hired and non-owned coverage including uninsured motorist with a minimum of \$100,000 limit or what is in accordance with your state guidelines;
10. Professional liability insurance (optional) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 or an amount we reasonably specify;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Tenant's liability insurance if such insurance is required by the terms of your lease (if applicable);
13. Any other Insurance required by the state or locality in which the Business is located and operated in such amounts as required by statute; and

14. Other insurance coverage, as we, your state or the landlord may reasonably require.

With regard to any construction, renovation, or remodeling of the Business, you may be required to maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All policies must name us and our affiliates, as additional insureds and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name our affiliates and us as an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business or 180 days following the date that the Franchise Agreement is executed. You must purchase not less than "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without thirty days prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of our insurer and us.

The cost of insurance purchased in accordance with our specifications will represent less than 2% of your total purchases in connection with the establishment of your Business and will be approximately 1% of your total purchases in the operation of your Business. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	Sections XII.S and XX.C. of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section VIII of Franchise Agreement	Items 7 and 8
(c) Site development and other pre-opening requirements	Sections VIII, XII.T, XX.C. of Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section XX.A. of Franchise Agreement	Item 11
(e) Opening	Sections IX.B and XII.G of Franchise Agreement	Item 11
(f) Fees	Sections IX and X of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	Sections XII.A and XII.H. of Franchise Agreement	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections XV and XVI of Franchise Agreement	Items 13 and 14

(i) Restrictions on products/services offered	Section XII.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	None	None
(k) Territory development	Section VI of Franchise Agreement	Item 12
(l) On-going product/services purchases	Section XII.I. of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section XII.E. of Franchise Agreement	Item 11
(n) Insurance	Section XIII of Franchise Agreement	Items 6 and 7
(o) Advertising	Sections X.B, XII.L and XX.J. of Franchise Agreement	Items 6, 7, and 11
(p) Indemnification	Section XVIII of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections XII.F and XII.K. of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section XIV of Franchise Agreement	Items 6 and 11
(s) Inspections/audits	Sections XII.Q and XIV.B. of Franchise Agreement	Items 6 and 11
(t) Transfer	Section XXII of Franchise Agreement	Items 6 and 17
(u) Renewal	Section VII.B. of Franchise Agreement	Items 6 and 17
(v) Post-termination Obligations	Section XXIV of Franchise Agreement	Item 17
(w) Non-competition covenants	Section XIX of Franchise Agreement	Item 17
(x) Dispute Resolution	Sections XXV.C. and XXV.D of Franchise Agreement	Item 17

ITEM 10 **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation. We may assist franchisees in obtaining financing in the future or make other financing arrangements available to you by referring you to third parties and we do not guarantee that you will qualify or obtain financing from any third-party. If we do refer you to third parties, you will be free to accept or reject such financing.

ITEM 11

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

Except as listed below, we [Cupcake Heaven, LLC] need not provide any assistance to you under the Franchise Agreement.

Before you open your Business, we will:

- (1) Provide you with written guidelines for site selection. You must, on your own initiative and at your own expense locate, obtain, and occupy the site and negotiate the lease for your Business. Unless indicated otherwise all references to “lease” include a sublease and any master lease. You must select the site for your Business within the protected territory provided in the Franchise Agreement or within a specific facility if you choose to operate out of a Non-Traditional Location (as described in Item 12). We currently do not own the site and lease it back to you. You may not sign a lease for the site (or contract to purchase the premises, if applicable) in which you wish to operate your Business until you have obtained our written approval. Additionally, you must not invest any money for the site in which you have not received our written approval. We must accept the site if we feel in our total discretion that it meets or exceeds our standards, but our acceptance does not ensure that your Business will be profitable at the approved location. If we do not approve the site, you will have a second opportunity to locate a site. If we do not approve the second site, we may terminate the Franchise Agreement. The factors that we consider in acceptance of the site include population density, demographics, traffic patterns, convenience, adequate parking, safety, zoning ordinances, neighborhood (or for non-traditional locations, the surrounding businesses) and physical characteristics of the premises such as size and layout. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive your request (Franchise Agreement, Sections XII.S and XX.C).

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your Business will be profitable or successful by being located at the approved site. Any approval indicates that the proposed site meets our minimum criteria based upon our general business experience.

- (2) Insert the accepted site on your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:
 - (i) the site which you have submitted for the Business is a suitable site based upon criteria we establish periodically; and
 - (ii) you and your Owners are in compliance with the Franchise Agreement.
- (3) Approve the lease for the Business premises. You must submit the lease to us for our approval at least ten days before you sign the lease. You must send us a signed copy of the lease within five days of both parties signing the lease. We do not offer legal service to you and you should consult your independent legal counsel for a legal review of the lease (Franchise Agreement, Sections XII.S and XX.C).

- (4) Offer you guidance when applying for licenses, permits, certifications, inspections and notifying your state of your proposed Business. It is your responsibility to comply with all laws, ordinances, and regulations, as you are responsible for obtaining all necessary approvals, certifications, licenses and permits to operate your Business (Franchise Agreement Section XX.C).
- (5) Inform you of any of our mandatory specifications, architectural and design plans, floor plans, interior and exterior signage, décor, designs, and layouts for the Business at the accepted location. We will provide you with guidelines for the design and layout of your Business and you will need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements, at your cost. You will be required to confirm that your Business satisfies all state and local zoning ordinances, regulations, fire, health, and building codes. We must review and approve your final set of drawings. It is your responsibility to comply with all laws, ordinances, and regulations, zoning and building codes for your Business (Franchise Agreement, Sections XII.T and XX.D).
- (6) Provide you with specifications for products, supplies, kitchen equipment, furnishings, fixtures, technology items (as described in Item 8), software, signage, and uniforms necessary for the operation of your Business. You are obligated to repair and maintain all kitchen equipment, technology items and related software necessary for the operation of your Business. You will be responsible for these expenses as these expenses are necessary for the operation of your Business. We will provide these written specifications for the above items, and you are responsible for the delivery and installation of these items. You are required to purchase the items listed above from us, our affiliates and/or our approved vendors (Franchise Agreement Sections XII.I, XX.A, XX.D and XX.I).
- (7) Provide you with a written list of approved products (including ingredients and retail items), supplies, kitchen equipment and services you are authorized to use, offer, and sell; and a written list of approved vendors and suppliers to purchase products, supplies, kitchen equipment and services from (as defined in Item 8) that you are authorized to use or sell in your Business. We will also provide you with a written list of recipes along with preparation and presentation standards. We will train you on strategies when leasing and/or purchasing such items for the operation of your Business. You are responsible for the cost, delivery, and installation of these items as they are necessary for the operation of your Business. You are required to purchase the items listed above from us, our affiliates and/or approved vendors or suppliers (Franchise Agreement, Sections XII.I, XX.A, XX.H and XX.I).
- (8) Provide you with a written list of cleaning standards and recommended procedures for training employees in addition to general guidance. You are responsible for all day-to-day activities, including hiring, training, disciplining and/or firing your employees. Neither you nor your employees are our employees. You are responsible for all employees you hire, determining their compensation, hours of work, determining their benefits, tax withholding and their behavior during the operation of your Business (Franchise Agreement, Sections XII.F, XII.H, XX.A and XX.E).
- (9) Offer certain training programs designed to assist you and your management staff in the operation of your Business. We may also provide continuing education to any manager of your Franchise. We may require that you (or if you are a corporation, a limited liability company or partnership, then its officer or shareholder, member or managing member, or managing partner) and any manager(s) complete refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).
- (10) Provide you with our initial training program, no earlier than 60 days before your Business opens for operation, designed to assist you and your management staff in the operation of your Franchise, at no additional charge. The initial training program is designated for you, one Owner (if you are an Entity),

manager or any combination thereof (a total of three people). If more than three people attend the initial training program, we may impose a training fee of up to \$200 per person for each day of training (Franchise Agreement, Section XX.A).

- (11) Advise you of operating problems of a Cupcake Heaven® business disclosed by reports submitted to us or inspections made by us. We will furnish to you such guidance and assistance in connection with the operation of your Business, as we deem appropriate. Such guidance and advice will include methods and operating procedures utilized by other Cupcake Heaven® businesses with regard to: ingredients, recipes (including food and beverage preparation methods and standards), products, services, supplies, and using and maintaining kitchen equipment; purchasing guidelines, marketing strategies, efficiencies to manage high volume, service standards, training employees, general operating procedures, record keeping, accounting and inventory control methods. You must pay all costs and expenses associated with these items. We will make additional guidance and assistance available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections XII.J, XX.A and XX.E).
- (12) Loan to you during the term of the Franchise Agreement one copy of our confidential and proprietary Operations Manual in hard copy or digital format, which may include one or more manuals and other written materials for the operation of your Business, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products (including ingredients), supplies, kitchen equipment and services, as well as changes in specifications, standards, and operating procedures of a Cupcake Heaven® business. You must keep the Operations Manual confidential and current and may not copy or distribute any part of the Operations Manual. The Operations Manual contains 179 pages and the current table of contents as of our last fiscal year end is included with this Disclosure Document as Exhibit E (Franchise Agreement, Section XX.G).
- (13) Deliver to you a web page for your Franchise operations that includes online ordering functionality and may include portals online for additional training, ongoing news bulletins and templates for advertising materials to support your Business (Franchise Agreement, Sections IX.A and XX.B).
- (14) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us that are submitted by you (Franchise Agreement, Sections XII.L, XX.A and XX.J).
- (15) Provide, up to three days of either pre-opening or grand opening assistance to you and your staff at your Business. Such assistance will be provided to you as part of our initial franchise training program and at our cost (Franchise Agreement Section XX.A).

During your operation of the Business, we may:

- (1) Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to: ingredients, recipes and preparation standards, products, services, kitchen equipment operation, operational, sales and marketing matters and personnel issues related to your Business. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Section XX.A).

- (2) Monitor the operation of your Business and inspect the inventory of products, supplies and kitchen equipment at your Business, then advise you of the results for each inspection, at our cost. If you fail the inspection twice in any two-year period, we may charge you a fee of \$2,000 (as described above in Item 8). If we have not inspected your Business in the past twelve months and you would like to have an inspection performed, you will need to notify us in writing and we will perform the inspection within three months of your request. For any inspections that you request, the cost of the inspection will be at your expense which will include transportation, room and board and miscellaneous expenses incurred by us (Franchise Agreement Sections X.H, XII.I, XII.Q and XX.A).
- (3) Provide to you and your manager(s), refresher and/or continuing education meetings at locations designated by us, which we expect to be our headquarters with a fee of \$200 per person per day plus your expenses, which can vary from area to area. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria (Franchise Agreement, Section XX.A).
- (4) Conduct quarterly meetings or an annual convention at such place as shall be designated by us, at our current fees, which can change based on our cost (Franchise Agreement, Section XX.A).
- (5) Establish a franchisee elected peer group whose main purpose is to mentor and support each other.
- (6) Provide an intranet system, free of charge, to answer questions from you or your staff (during regular business hours, Eastern Time Zone). In addition, you will be able to send us questions and suggestions using Internet email (Franchise Agreement, Section XX.A).

During your operation of the Business we will:

- (1) Continue to consult with you at no additional charge regarding policies, products (including ingredients), supplies, recipes, food and beverage preparation and presentation standards, kitchen equipment, vendor and supplier relationships, industry developments, sales, advertising, marketing and promotional strategies as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Sections XII.V and XX.A).
- (2) Provide you with updated and written lists of approved products (including ingredients and retail items), supplies, kitchen equipment, services (as described in Item 8) that you are authorized to use, offer, and sell in your Business. We will continue to add and approve new vendors and suppliers and will provide you with updated and current lists of such approved vendors and suppliers you are allowed to purchase from for all products, supplies, kitchen equipment and services for the operation of your Business. We will provide you with such updated lists, but not the actual items as you are responsible for purchasing such items. We will continue to approve products (including ingredients and retail items), supplies, kitchen equipment, vendors, and suppliers you may use, offer, and sell in your Business. You may be responsible for paying any costs related to testing any samples as described in Item 8 (Franchise Agreement, Sections XII.H, XII.I, XII.J, XX.H and XX.I).
- (3) Provide you with minimum inventory requirements (currently not in effect) and suggested pricing for all products (including ingredients and retail items) and services you offer in the Business. We may establish minimum and maximum prices you can charge to the extent allowed by law. We will continue to research new products and services for the System as we deem necessary (Franchise Agreement, Section XX.K).

- (4) Provide you with updated and approved recipes, food and beverage preparation and presentation standards. We will provide you with such standards and specifications and you are responsible for purchasing all products or supplies that may be necessary to implement such standards at your expense (Franchise Agreement, Sections XII.H and XX.A).
- (5) Provide a dedicated telephone line for franchisees, free of charge, to answer questions from you or your management staff (during regular business hours Eastern Time Zone). You will be able to contact us for questions, suggestions, and guidance (Franchise Agreement, Section XX.A).
- (6) Review and approve advertising and promotional materials in addition to any promotions, edits, changes, or updates to your web page that you submit to us (Franchise Agreement, Sections XII.L, XII.H and XX.J)
- (7) Provide continuing education to any manager of your Business as noted in paragraph 14 (iv) below. We may require that you (or if you are an Entity, an Owner) and any manager(s) to complete refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).
- (8) Offer you guidance in establishing and using administrative, record keeping and accounting procedures in accordance with our Operations Manual, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section XX.A).
- (9) Provide you with all update and upgrade requirements for your technology items (as described in Item 8) and all related software in response to changes in the Operations Manual or changes in our policies that we communicate to you in writing. You are required to purchase such items to operate your Business. The cost of such technology items ranges from \$2,500-\$5,500 (see Item 7). We estimate that the cost for hardware and software upgrades for such items is approximately \$250 per year. If we develop proprietary software in the future, we will provide you with update and upgrade requirements, however we are not obligated to perform any maintenance or provide any updates or upgrades to any third-party technology items or software programs you use in the operation of your Business. We are not obligated to provide hardware repairs to the technology items that you use. We reserve the right to have independent access to all information that you store in any POS system, computer, laptop, tablet, or software related to the Business and there are no contractual limits imposed upon our access to your data and information (Franchise Agreement Sections XII.I and XX.A).
- (10) Reserve the right at our discretion to institute, maintain, and administer a System Advertising Fund (referred to as the “Fund”) to support ongoing technology and new product development to be made available to franchisees and such national advertising as we, in our sole discretion, may deem appropriate to promote the Cupcake Heaven® name to benefit all franchised businesses as described in Item 6. We will direct all such programs and will have sole discretion over the creative concepts, materials and endorsements and media used in such programs, and the placement or allocation of such programs. The source of the advertising will come from our in-office advertising department or may in the future come from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs (Franchise Agreement, Section X.B).
 - (i.) You will pay us 1% of Gross Revenues per month for the System Advertising Fee contribution, paid to us, as designated in the Franchise Agreement. We may raise, discontinue, or reduce the contribution, but your total contribution will not exceed 3% of your Gross Revenue per month in any calendar year for the term of the Franchise Agreement. Contributions are due by the seventh day of the month (for the prior month)

which will start immediately once your Business is open for operation, then continues for the term of your Franchise Agreement. Refer to Item 6 for definition of Gross Revenue. All franchisees pay the System Advertising contribution at the same rate and under the same terms as the Royalty Fee described above. System Advertising Fees are uniformly imposed on all franchisees.

- (ii) The contributions will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new recipes, products, kitchen equipment and technologies; product development, market research, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. Usage of the Fund will include ongoing development of the national website and development of new products to be made available to franchisees, but the Fund will not be used to solicit new franchise sales. We may disseminate advertisements in the form of print ads, signs, billboards, radio and television and we may conduct such advertising on a regional or national basis. We may spend on behalf of the Fund, in any fiscal year an amount greater or lesser than the aggregate contribution of all Cupcake Heaven® franchises in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use.
- (iii) In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on System Advertising Fund usage and advertising policies. We retain all operational and decision-making authority concerning advertising and the Franchisee Advisory Council will serve only in an advisory capacity. The membership of any Franchisee Advisory Council will be national in scope. The Franchisee Advisory Council will not be separately incorporated, and therefore, it will not have any written documents. If one is formed, we will have the power to select and approve the members and to form, change, dissolve or merge the Franchisee Advertising Council as described below.
- (iv) Neither we nor any Franchisee Advisory Council undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by franchisees operating in such geographic area or that you or your Business will benefit directly or in proportion to your contribution to the Fund. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, contributions, expenditures, investments, or borrowings, except for acts constituting willful misconduct. When the Fund is established and activated, all Cupcake Heaven® businesses owned by us or any of our shareholders or officers must contribute to the Fund in the same proportion as all franchisees.
- (v) Any sites we own will have the same voting rights as franchisee members. We administer the Fund, which is not audited. All interest earned on monies contributed to the Fund may be used to pay advertising and technology development costs before other assets of the Fund are expended. We will prepare an annual un-audited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request. All financial statements will be available 120 days after the end of our fiscal year. We reserve the right not to spend all of the funds in the System Advertising Fund in any one year and such funds

may be accrued into the next year. The System Advertising Fund has not been established before the date of this Disclosure Document.

- (vi) We may receive advertising and promotional allowances and fees from third party vendors, suppliers and advertisers who enter into cooperative advertising programs with us (and possibly also franchisees.) For example, vendors and/or suppliers may pay promotional allowances for joint advertising promotional material. We may disclose the identity of vendors or suppliers who pay the promotional allowances to you upon request. In addition, if we require you to buy items from a vendor or supplier who pays these allowances, we may place the funds in the System Advertising Fund or spend it on related promotions. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions and promotional allowances (if we approve) from third parties actually paid into the System Advertising Fund.
- (11) We do not require you to join, participate in and pay into, one or more franchisee marketing councils for your region, determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because, we have not yet formed any franchisee marketing councils, we do not know how the area, or the membership of any franchisee marketing council will be determined nor have we determined whether any of our company-owned businesses will be contributing to any advertising spent by any franchisee marketing council. In the event we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual, unaudited financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee marketing council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention, or exhibition where bakery and/or food-related products and services are offered or sold, to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets.
- (12) You are not required to spend any minimum amount each month on local advertising and promotion of your Business.

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within thirty days; if we do not respond within such period then we are deemed to have automatically disapproved all such materials. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees, except that you may not need to follow or maintain any sales price or suggested pricing. You are responsible for any expenses of this independent advertising.

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one Website, as we designate and approve, within our Website. The term "Website" includes: Internet pages, as well as other electronic sites (such as social networking sites like Yelp, Facebook, Instagram, Twitter, LinkedIn, Instagram, Pinterest, blogs, and other applications). You must provide us with all login and password information for all Websites and acknowledge that we have the right to monitor, remove, edit, and delete any content (including posts) as we consider appropriate. You must comply with our requirements regarding selling, advertising, discussing, or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a

- separate Website for you (currently franchisees are authorized to participate on Facebook, Instagram and Yelp), we will provide you with guidelines for establishing and maintaining such Websites and each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; (v) if we require, you must establish hyperlinks to our website and other Websites; (vi) you must not engage in any link building activities unless approved by us; and (vii) we may revoke our approval at any time by providing written or email notice to you of such revocation.
- (13) We estimate that there will be an interval of 180 days between the signing of the Franchise Agreement and the opening of your Business. Factors that may affect this length of time include obtaining a location that is approved by us for your Business, leasehold improvements and build-out, time of year, completion of your pre-market entry study to determine any customization of products and services to be offered through your Business, satisfactory completion of our initial training program by you (or one of your Owners if you are an Entity), your managers (you must have a minimum of one manager, of which can be but does not need to be you or one of the Owners of your Franchise) and availability of kitchen equipment, products and supplies. You have 90 days to acquire a lease, at your expense, for commercial real estate that is properly zoned for the use of your Business under the Franchise Agreement. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence satisfactory to us that confirms your affirmative prospects for obtaining the location. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site for your Business and will notify you of the same by email or any other form of written communication. We reserve the right to extend the period for you to acquire a lease as described above based on our reasonable judgment that you will likely find a location. Failure to secure a lease and/or open your Business within the timeframes mentioned above, will constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement. We will give you such default notice in writing.
- (14) Before the opening of your Business, you (or an Owner if you are an Entity) and your managers (you must have a minimum of at least one manager, of which can be but does not need to be you or one of the Owners of your Business) you designate are required to attend our nine day initial training program at our corporate headquarters in Haymarket, Virginia unless such headquarters is moved. We maintain a regular calendar for the training program. We hold the training program approximately six to eight times per year (or more frequently if needed). The training program is included in your Initial Franchise Fee. You are responsible for all costs associated with attending the program such as travel, room, and board.
- (i.) We require that you, any Owner, and any manager have successfully obtained a food handlers supervisor certification and complete a supervisor harassment training program in your home state. A food handler supervision certification is given upon successful completion of food handling and safety training that is necessary for the operation of your Business. You can take such courses in a classroom setting or in some states you can complete them over the Internet.

- (ii.) If any proposed manager does not satisfactorily complete our training program, we will notify you, and you may then select and enroll a substitute manager in our training program. If, during the training program we determine, in our sole discretion, that you (or any Owner if you are an Entity), or any of your managers are not qualified to manage a Cupcake Heaven[®] business, you have the right to appoint someone else to be trained by us at your expense. If that other person does not satisfactorily complete our training, we have the right to terminate the Franchise Agreement. The criteria that we will use to determine whether we deem you (or your managing partner, member, or shareholders) qualified to manage a Cupcake Heaven[®] Business includes, but is not limited to, lack of business experience, lack of experience in the bakery industry, a personality which makes it difficult for you to service customers or you do not have the appropriate licenses and/or permits to operate a Cupcake Heaven[®] franchise. We will send you a written termination notice upon our determination of such disqualification.
- (iii.) After the completion of the initial training program by you, your Owner, and your manager(s), we will provide training to any new manager of your Business at your request for which an additional training fee of up to \$200 per day per person may be required (however we expect that you train any new manager that you hire as described in Item 15). The trainee(s) will be responsible for all costs related to attending training such as travel, room, and board. In addition, we have the right to require that you (and if you are an Entity, any Owner) and any manager(s) complete refresher training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters currently in Haymarket, Virginia. There may be an additional cost for refresher training programs. You are responsible for all costs associated with attending such training opportunities we may provide for you such as travel, room, and board.
- (iv.) After the opening of your Business, we may provide to you and your personnel, access to information and support through franchise portals online. Support may also be available from our corporate headquarters and we may provide refresher training or continuing education all of which can be done either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education (other than by phone, webinars, or video) may have a registration charge to you that will not exceed \$200 per person per day. You are responsible for costs associated with attending the programs such as travel, room and board or our expenses if we come to you. The refresher training and/or continuing education will normally not exceed a day and we expect to have at least quarterly programs subject to special need. The content for the refresher and/or continuing education will cover aspects including but not limited to: new products (including new ingredients) and services, recipes, food and beverage preparation and presentation standards, kitchen equipment maintenance and operation, industry developments, operational and service standards, technology and software developments, promotional and marketing programs, administration and so forth. We may conduct an annual convention in which refresher and/or continuing education will be made available at such place as shall be designated by us for all franchisees. A registration fee for each participant may be required which we will work in good faith to maintain at our cost and you will be responsible for costs associated with attending the convention such as travel, room, and board. The registration fee for conferences will not exceed \$1,000 per person. We may increase the fees charged above based on the increase of actual costs incurred by us.

- (v.) Within 60 days before you anticipate opening of your Business for operation, we will provide training for you as noted in the following training schedule. This training curriculum is fully detailed in our Operations Manual and may change periodically. The corporate training team will include members of our management team, staff from our corporate headquarters in Haymarket, Virginia, members of our website development team and members from our approved suppliers and service providers.

TRAINING SCHEDULE: AT CORPORATE OFFICES

The Cupcake Heaven® Franchise Training Program includes an Operations Manual, hands-on training, presentations, videos, and demos. This training curriculum is fully detailed in the Operations Manual and will change periodically.

TRAINING PROGRAM

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. We will make available to you updates to the Operations Manual through various means including online. All the training sessions will be taught by a combination of: Kim Newman who has over 30 years of baking and business management experience and Mark Vincellette who has over 40 years of sales, marketing, and business management experience both of whose backgrounds are described in Item 2 above. Occasionally, different guest speakers may make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees, vendors, or industry experts.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Instruction	Location
The Cupcake Heaven® History, Culture, Standards and Philosophy	1 Hour		Presentation, Demos and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Cupcake Heaven® Menu and Overview of all Products	1 Hour		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Approved Vendors and Suppliers	1 Hour		Presentation, Operations Manual and Various Speaker	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Kitchen Equipment Specifications, Operation and Maintenance		1 Hour	Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Ordering Inventory and Controlling Food Cost	2 Hours	2 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Baking and Kitchen Procedures		20 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Icing and Decorating		20 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Operations Manual, Demos, Various Speakers and On the Job Training

Coffee Bar and Beverage Preparation		8 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Operations Manual, Demos, Various Speakers and On the Job Training
Front of House Operations, Service Standards and Handling Complaints	2 Hours	6 Hours	Presentation, Operations Manual, Various Speakers and On the Job Training	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Security, Safety, Health, Sanitation and Cleanliness Standards	1 Hour	2 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Recommended Pricing for all Food and Beverage Products	2 Hours		Presentation, Operations Manual and Various Speaker	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Scheduling and Controlling Labor Costs	3 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
POS System and Software Training*	2 Hours	2 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Advertising, Marketing and Promoting Your Business	5 Hours		Presentation, Operations Manual Various Speakers, and Marketing Plan Creation	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Interviewing, Hiring, Training and Employee Management	3 Hours		Presentation, Operations Manual, and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Administrative and Record Keeping Responsibilities	3 Hours		Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Haymarket, Virginia or as we otherwise specify
Total Hours**	26 Hours	61 Hours		

*Additional software training may be provided to you online and performed by our approved vendors after the initial training above is completed.

**The actual hours of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class or depending on your experience.

Additional Assistance:

In addition to the initial training program mentioned above, we will provide up to three days of assistance and guidance to you regarding baking, preparation, sales, and service standards while at your Business for either pre-opening or grand opening assistance, at no cost to you. For your second and subsequent Business that you open we will (at your option) provide the same type of assistance at your location, however you will be responsible for all actual wages and travel expenses incurred by us. We will provide you with invoices for amounts you owe to us and we may require you to pre-pay all or a portion of the actual amounts owed.

Ongoing Training:

We will provide you with memos and/or newsletters that will contain ongoing training relating to your Business and access to additional or refresher training programs that may be conducted through the telephone, webinars, or video training at no cost to you. In very rare instances, we may periodically require that you or your Owners (if you are an entity) and/or manager to complete additional or refresher training programs to correct, improve or enhance the operations of your Business. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars, or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room, and board (as described in paragraph 14 (iii) above).

ITEM 12 **TERRITORY**

You must operate your Cupcake Heaven® Business within the specific location identified in your Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees and company-owned businesses we operate or from other channels of distribution or competitive brands that we control. You are awarded a protected territory (“Territory”) that will include up to 3 miles driven in any direction from the Franchise Business as defined by Google Maps or a similar mapping program the only exception being Non-Traditional Locations (“Non-Traditional Locations” which are defined as specific facilities such as: hotels, airports, casinos, transportation centers, universities, stadiums, arenas, theme parks or military installations). If you open a Business within a Non-Traditional location, you are not granted a protected territory as your location will be site specific and you may face competition from other franchises and/or company-owned businesses. We reserve the right to grant a territory that is larger or smaller than the 3-mile area described above, to account for more densely or sparsely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). You may not conduct business out of any other location other than the accepted location that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may sell products (including retail items), serve anyone who comes from anywhere and provide delivery, large order packaging services and catering services so long as your sales and services you perform do not result from any Target Marketing (as defined below) activities by you. You can: conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) within your Territory (you are not authorized to conduct off-site events if you operate out of a Non-Traditional Location since your location is site specific, however you may be able to do so under certain circumstances as further described below); and perform catering and delivery services to anyone so long as such services are performed from your Business and within your Territory or within the parameters of your Non-Traditional Location (the parameters of your Non-Traditional Location will normally be the concentrated area or building where your Business will be operated from as described below). You may be able to perform off-site events, delivery, large order packaging services and catering services in geographic areas outside your Territory or outside the parameters of your Non-Traditional Location under certain circumstances (as described below).

If you are provided with a Territory (you are not operating your Business in a Non-Traditional Location), we cannot either establish a company-owned business, or franchise another Cupcake Heaven® business within your Territory during the term of your Franchise Agreement. If you are operating a Non-Traditional Location, we cannot establish either a company-owned business, or franchise another Cupcake Heaven® business within the parameters of your facility; however, we can do so anywhere outside the parameters of the facility where your Business is located. For clarity, and by way of example only, if you own a Cupcake Heaven® Business in a Non-Traditional Location, we have the right to establish either a company-owned business, or franchise another Cupcake Heaven® business anywhere outside the parameters of the facility where you operate your Business. The parameters of your Business will normally be the concentrated area or building where your Business will be operated from or the facility in which you lease the space (Franchise Agreement Section VI).

Your Territory (except for Non-Traditional Locations), is determined by population, demographics of the surrounding area, our own assessment of business potential, market penetration or other conditions important to the successful operation of a Cupcake Heaven® Business, as we deem appropriate and as identified in your Franchise Agreement. We determine your defined Territory once a location is chosen, and we will not alter it even if there is a population increase or decrease. It will also not be affected by your sales volume. Certain locations, such as major metropolitan areas may have smaller territories of densely populated areas. We must have consented to the location for your Business within your defined Territory or if operating in a Non-Traditional Location within that Non-Traditional Location in writing before you open for operation. Relocation of your Business requires our written acceptance. Our consent to your relocation is based on the following factors: population, business potential, traffic patterns, proximity to major roads, demographics of the surrounding area, market penetration or other conditions important to the successful operation of a Cupcake Heaven® Business, as we deem appropriate and as identified in your Franchise Agreement.

Establishment of additional Cupcake Heaven® Businesses requires our written acceptance. If other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned. You must submit a separate application for each Franchised Business to be established by you. You must pay the initial franchise fee for each additional acquisition as set forth in Item 5 and be in compliance with all of the terms and conditions of your existing Franchise Agreement. We must approve the location of any additional Cupcake Heaven® Businesses as mentioned in Items 11 and 12 above.

The Territory described above or if you are operating in a Non-Traditional Location, will affect where you and our other franchisees may solicit for business, sell products, and provide services. If you are provided with a Territory, you are encouraged to directly advertise and market to sell products (including retail items), serve people, conduct off-site events within your Territory and provide delivery, large order packaging services and catering services within your Territory so long as all products are being prepared, sold, and delivered from your Business and such services are being performed within your Territory. If you operate out of a Non-Traditional Location, you are encouraged to directly advertise and market to sell products (including retail items), serve people and provide delivery, large order packaging services and catering services within the parameters of your facility (off-site events are not applicable since you are not provided with a Territory). If you are asked to conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) to promote your Business, perform delivery, large order packaging or catering services (other than third party mobile app platform services, as described below) for persons and/or businesses that are in another geographical area in which there is another franchisee or company-owned business or outside the parameters of your Non-Traditional Location, you must immediately refer that request to the Cupcake Heaven® business in that geographical area or directly to us. If the other franchisee or company-owned business determines it is in the best interest for you to conduct such off-site event or provide delivery, large order packaging or catering services, regardless of whether you operate a Non-Traditional Location, then you can immediately proceed. If there is not a Cupcake Heaven® business in the geographical area in which you are asked to conduct an off-site event, or the person or business wants delivery, large order packaging or catering services then you can immediately proceed, however you must be prepared to refer such off-site event, person, or business to another franchisee when the unassigned area is purchased. We, other franchisees and company-owned businesses must refer off-site events, persons and businesses who request delivery, large order packaging and/or catering services and are within your Territory or within the parameters of your facility (if operating in a Non-Traditional Location) to you and reserve the same right to conduct off-site events and provide delivery, large order packaging and/or catering services to persons or businesses that are within your defined Territory if it is determined by you to be in the person's or business's best interest.

If during the term of the Franchise Agreement, you are unable to promptly and properly serve customers, provide products, delivery, large order packaging or catering services, you must refer such persons to another franchisee in the System or to us. For any default of the Franchise Agreement, as an alternative to termination, we

may modify or eliminate any or all rights that you may have with respect to the protected status of your Territory, effective ten days after delivery of written notice to you. In addition, we may modify or eliminate, the Territory (Franchise Agreement Sections VI, XII.H and XXIII.F).

We may allow you and other franchisees or company-owned businesses to sell products (including retail items) and offer delivery, large order packaging or catering services through an alternative channel of distribution (such as on mobile app platforms, the Internet, or Websites). Currently you are allowed to sell products and offer delivery services on third-party mobile app delivery services to anyone from anywhere without compensation to other franchises or company-owned businesses so long as all such products are prepared from your Business. Due to the nature of third-party mobile app delivery services you may have no control where such delivery services are performed, however you are required to communicate with such mobile app delivery service providers your geographical boundaries to minimize such delivery services being performed outside your Territory. Traditionally third-party mobile app delivery services will route customer orders to the business closest in proximity to the customer's delivery point. If you operate a Non-Traditional location, you are not authorized to sell products and offer delivery services on third-party mobile app platforms (unless operating within a military installation or university campus). We reserve the right to revoke our approval of your use of such third-party mobile app delivery services at any time upon written notice and you will be given 90 days to comply with such requirements at your cost. If you are granted permission to offer, sell and promote products or services (other than products on third-party mobile app platforms) through an alternative channel of distribution, per our written approval, you may sell and provide such products and services, using that method, to anyone from anywhere without compensation to the other franchisee or company-owned business so long as all products are prepared and sold from your Business; and all delivery, large order packaging and catering services are performed within your defined Territory or within the parameters of your Non-Traditional Location. We, other franchisees, and company-owned businesses are subject to the same restrictions and reserve the same right to serve and sell products to anyone who comes from anywhere (including on third-party mobile app platforms and selling products through an alternative channel of distribution) and offer services within the boundaries of our and other franchisee's territories without compensation to you. You are prohibited from soliciting business, marketing and selling products or offering delivery, large order packaging and catering services by any means outside of your respective Territory or outside the parameters of your facility if you operate your Business in a Non-Traditional Location; and must not engage in target marketing ("Target Marketing") within the Territory of another Cupcake Heaven® business (franchise and/or a company/affiliate owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain business through any type of advertisement or marketing, directed at all or a portion of another franchisee's territory or company-owned area. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

We encourage all Cupcake Heaven® businesses when owned by different individuals, to work out a referral relationship and advertising strategy or arrangement if they are within close proximity of each other (defined as being within a ten-mile radius of each other). You must notify us of all such arrangements.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell products (including retail items) and provide delivery, large order packaging or catering services to any business or organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined within any one particular franchisee's territory regardless of the contract amount of products to be provided and/or delivery, large order packaging or catering services to be performed (a "National Account"). After we sign a contract with a National Account, we may, at our option, provide you the option to provide products or perform delivery, large order packaging or catering services to businesses under the National Account contract. If you choose not to provide products (including retail items), delivery or catering services to the National Account, we may provide such products (including retail items) and perform such services directly ourselves, or through another franchisee or third party even if the products (including retail items, if applicable) provided and services performed are within your Territory or within your Non-Traditional Location without

compensation to you.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to consumer food shows, conventions, or exhibitions where food products are being sold to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets. In such programs, we may require that the person acquired through such programs, to be served by the closest or other franchisee and may or may not require franchisees serving the person to do so at a minimum price or pay a reasonable referral fee.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to the right to:

- (1) Advertise, market, and sell Cupcake Heaven[®] branded products (including retail items), kitchen equipment (if we choose to develop kitchen equipment in the future) and services in your Territory and/or within your Non-Traditional Location;
- (2) Advertise and offer products (including retail items) and services to promote the System through the Internet and/or other similar venues no matter where the person is based to brand the System and/or fulfill demand anywhere;
- (3) Sell, distribute, or offer anywhere products (including retail items), kitchen equipment (if we choose to develop kitchen equipment in the future) or services to anyone from anywhere through any alternative or other channel of distribution, other than local business operations providing such products and services whether or not we are using the Marks or System and, on any terms, we deem appropriate. We have this right whether or not we are using the Marks or System; or are acting inside or outside your Territory as designated on your Franchise Agreement or within your Non-Traditional Location;
- (4) Develop and distribute any proprietary products and kitchen equipment (if we choose to develop kitchen equipment in the future) that have been branded with our Marks or logo or different branded products through any outlet located anywhere (including, by way of illustration, supermarkets, specialty food stores, discount club chains, retail stores, over the Internet and/or similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and distribute products or kitchen equipment, you will receive no compensation from us for such sales inside your Territory or within your Non-Traditional Location, unless otherwise agreed by us in writing;
- (5) Implement advertising cooperative programs, which may allow us or others to solicit or sell to persons anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory or Non-Traditional Location as designated on your Franchise Agreement, whether or not, using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and
- (7) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised, or other businesses (including your Business) which are converted to another format or we acquire a similar food establishment, bakery or other food service-related business which will be

maintained under the System or otherwise. If we acquire or merge with a business similar to a Cupcake Heaven® business within your Territory, we will make commercially reasonable efforts to maintain the protected status of your Territory. You will fully participate in any conversion and be subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of any products (including retail items), services or kitchen equipment (if we choose to sell kitchen equipment in the future) by using the Internet or other similar venue, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to sell and/or distribute or offer any products (including retail items), kitchen equipment or services through any alternative channels of distribution without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established and do not presently intend to establish other franchises or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document that sells or offers similar products or services under a trade name or trademark different from the Marks.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademark is as it appears on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks and any other trade name, trademarks, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

The word and design mark “Cupcake Heaven and Cafe” is registered on the principal register of the United States Patent and Trademark Office (referred to as “USPTO”) bearing the registration number 6876097 dated October 18, 2022, owned by our affiliate Cupcake Heaven and Café, LLC and licensed to us and sublicensed to you. The word mark “Cupcake Heaven” is registered on the USPTO bearing the registration number 6876093 dated October 18, 2022, owned by our affiliate Cupcake Heaven and Café, LLC and licensed to us and sublicensed to you. We also claim common law rights in our trademarks based on our prior use. If our right to use any of our trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Marks. We plan to file all necessary affidavits to keep our Marks registered. We do intend to continue to maintain and renew all of our trademark registrations.

There are no effective agreements that limit our right to sublicense you the Marks, other than a perpetual, exclusive, non-transferable, worldwide, royalty free license to use, sub-license, and display the Marks from Cupcake Heaven and Café, LLC pursuant to a trademark license agreement. The trademark license agreement may be modified or terminated if we fail to follow the operating, merchandising, and advertising policies, and such other quality standards that are established by Cupcake Heaven and Café, LLC. In addition, Cupcake Heaven and Café, LLC has the right to substitute alternative trademarks for license at any time. Therefore, you may have to change the trademarks that you use in operating your Franchised Business at your expense. The trademark license agreement will remain in effect for as long as we offer franchises, or unless we are in default of the trademark license agreement. The trademark license agreement can be modified if both we and Cupcake Heaven and Café, LLC agree in writing.

Upon termination of the trademark license agreement for any reason, we and franchisees must discontinue all use of the Marks in any form, remove the Marks from our website and any of our franchisees' web pages, modify any and all identification of the Franchised Business with, or reference to, the Marks, and refrain from making any subsequent representation, advertisement or published statement or product sales using or in reference to the Marks, or the business previously conducted using the Marks, and take such action as shall be necessary to change any corporate name, assumed name or equivalent registration which mentions or refers to the Marks, or any mark similar thereto.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks or claim by any person of any rights in any Mark or any similar trade name, trademark, or service mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial or administrative proceeding involving one of the Marks or if the proceeding is resolved unfavorably to you. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously (Franchise Agreement Section XV.B).

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within 90 days after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Business (and on any vehicles if applicable), and to purchase and install new signs in addition to all marketing and advertising materials. We have no liability to you.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document that could materially affect your use of the Marks in the State of Virginia or in any other state. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your Business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling of products (including retail items) and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as described in Item 12.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the Marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem, or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner, we designate. You must obtain such fictitious or assumed name registrations as we require

or under applicable law. You must also prominently display in your Business that we are not a joint employer of you and that you are solely responsible for all employment-related decisions and matters. You must also identify yourself as the owner of your Franchise by placing your name on the Business, checks, invoices, receipts, contracts, and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A Franchise of Cupcake Heaven, LLC" or such other phrase as we occasionally direct.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the Franchise; however, we claim common law copyright and trade secret protection for several aspects of our System, methods, techniques and operational procedures; products (including ingredients), product specifications, recipes, photographs of food and beverage items, design, décor, graphics, signage, manuals and all related video presentations and materials including advertisement and promotional materials although such materials may not have been registered with the United States Copyright Office. We consider these materials proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets or claim by any person of any rights in any copyright or trade secret, of which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions to modify, discontinue, or substitute use within a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain trade secrets and confidential information that include our: strategies for site acquisition, build-out, color scheme, design specifications, layout and décor; distinctive cupcake flavors and cupcake creations using our proprietary recipes and batters; food and beverage preparation and presentation standards, cooking techniques, methods and procedures; specifications for all products (including ingredients), supplies and kitchen equipment; purchasing strategies, inventory management systems, vendor and supplier relationships, cost and pricing strategies; procedures for cleanliness, safety, sanitation and quality control; our proprietary treat programs, service standards, methods and techniques; employee hiring, training and retention guidelines; operational procedures, Operations Manual and other written materials; photographs of food and beverage items, video presentations, third-party software, website, forms, contracts, record keeping and reporting procedures; proprietary customer acquisition, loyalty and retention programs; social media, advertising, marketing and promotional strategies and materials; systems and knowledge of, and experience in, the operation and franchising of a Cupcake Heaven® business (the "Confidential Information"). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us; in the Operations Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents, or independent contractors develop any new piece of equipment, product, recipe, formula, concept, technique, process, photograph, video presentation, promotion, program or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. However, as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents, or independent contractors for any new piece of equipment, product, recipe, formula, concept, technique, process, photograph, video presentation, promotion, program, or improvement that we implement throughout the System. You and if you are an Entity, then one of your Owners acknowledge that any such equipment, product, recipe, formula, concept, process, photograph, video presentation, promotion, program, or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your Cupcake Heaven® Business during the term of your Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you and if you are an Entity, any of your Owners, and the use of nondisclosure and non-competition clauses in employment agreements with your employees and Owners, where enforceable under state law.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement provides that a Cupcake Heaven® Business must at all times be under direct, day-to-day, full-time supervision. We do require that you personally (or if you are an Entity such as a limited liability company, then a managing Owner of such Entity) participate and be involved in the day-to-day operations of your Business and your Business must at all times be under the operation of a manager (“General Manager”) whose identity must at all times be disclosed to us. This person must have successfully completed our training program and must use his or her best efforts in the operation of a Cupcake Heaven® Business.

You are required to retain a General Manager for the operation and management of your Business. The General Manager may, but need not, be you or one of the Owners of the Franchised Business and need not have any set percentage of the equity of the Franchised Business. The General Manager must meet all our standards and criteria for such positions as set forth in the Operations Manual. Your General Manager is responsible for overseeing the general management of the Business and using his or her best efforts in the operation of the Business. This individual and their replacement must also satisfy the applicable training requirements as outlined in the Franchise Agreement. We have the right to require that your General Manager and any other manager be at the Business for any inspection we conduct (Franchise Agreement Section XII.F).

If we, in our sole discretion, find that your General Manager is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation. Upon termination of employment of your General Manager, you must appoint a successor within 60 days. Any replacement General Manager (who we

may disapprove in our sole and absolute discretion) must be trained by you within 30 days of employment in accordance with our standards. To clarify, any replacement General Manager is to be trained by you at your expense.

Our approval of a General Manager, other than you, is conditioned upon the person entering into a confidentiality and restriction of like business agreement containing covenants like those contained in the Franchise Agreement and Schedule 8 of the Franchise Agreement against engaging in competing businesses and use/disclosure of our Confidential Information during the tenure of employment with you and for a period of three years following the termination of such person's employment with you. You will provide us with copies of the same upon request.

If you are an Entity, each of your Owners that holds more than 10% interest in the Franchised Business and each 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, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. Franchisee's spouse must also sign the personal guaranty. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement.

ITEM 16

RESTRICTIONS ON LOCATION AND WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because the size of each individual Business will vary, you will have a wide variety of possible sites to choose from which to conduct your business operations with our approval. You may not use the Franchise premises for any purpose other than the operation of a Cupcake Heaven® Business, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example, incorporating your Franchise operations within the premises of an existing complementary business.

You must comply with all our standards and specifications relating to the purchase, use and sale of all products (including ingredients and retail items), kitchen equipment, supplies, furnishings and fixtures, technology items, software, signage and décor items, uniforms, printed advertising materials, miscellaneous forms, and other items to be used, offered, or sold at the Business (See Item 8).

You are required to prepare and offer only approved products and approved services that include but are not limited to: freshly prepared cupcakes using our proprietary recipes and batters in an assortment of different flavors, our signature cupcake creations (such as chocolate harmony, red white and blueberry, mocha latte, etc.), gluten free cupcakes, a limited selection of pastries and muffins, hot beverages (such as coffee and tea), hot and cold specialty coffee drinks, cold beverages (such as milk, juices, lemonade and blended smoothies) and retail items for sale (such as: shirts, hats, mugs, etc.) in addition to offering delivery, large order packaging and catering services and other food and beverage products or services as expressly authorized by us in writing or in the Operations Manual, or developed by us as a result of your pre-market entry study to meet the needs of your unique market, and any updates to be incorporated in the Operations Manual periodically. You must prepare, sell, and offer only approved products from your Business. You must prepare all products in accordance with our recipes, ingredients, standards, methods, techniques, processes, and presentation standards as designated by us. You can conduct off-site events so long as such off-site events are within your Territory (you are not authorized to conduct off-site events if you operate out of a Non-Traditional Location since your location is site specific, however you may be able to do so under certain circumstances as described in Item 12) and must also offer delivery, large order packaging and catering services so long as such services are performed within your defined Territory or within the parameters of your Non-Traditional Location. We, other franchisees, and company-owned businesses reserve the same right to sell products (including retail items) to anyone from anywhere without compensation to you and are also prohibited from performing large order packaging, catering, and delivery services outside our/their respective territories and/or boundaries. You may

also offer additional products (including retail items) that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such products (including ingredients) are used or offered and the time to approve or deny your request is described below. We will respond to a written request by you to approve any product (including any ingredient or retail item) or service you wish to use or offer within 30 days after we receive it. We may revoke approval in our sole discretion where an approved product or service does not adhere to our standards as specified in the Operations Manual. We will notify you either by email or any other written form of communication of our approval, disapproval, or revocation of any prior approval of any product or service.

You acknowledge that you and other franchisees can sell products (including retail items) and serve anyone who comes from anywhere so long as such products are being prepared and sold from your Business and such sales do not result from any Target Marketing and you can conduct off-site events within your Territory (see Item 12). You can sell products (including retail items) and provide delivery, large order packaging and catering services at any prices and/or rates you establish as we will suggest pricing and rate strategy and we may establish minimum and maximum prices and/or rates at which you may sell products (including retail items) and provide services to the extent allowed by federal and state laws. You must discontinue using, selling, and offering for sale any product (including any ingredient or retail item) or service that we may disapprove in writing at any time, whether or not a product (including any ingredient or retail item) being submitted for approval is currently in use. We can and expect to change and/or modify the types of products (including ingredients and retail items) and services we authorize. There are no limits on our right to do so. We will inform you by email or by any other form of written communication of such changes and/or modifications. You may not use or offer any product (including any ingredient or retail item) or provide any service that has not been specifically approved in writing by us; and you may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any vendor, supplier, product, proprietary product, or piece of equipment without our prior written consent.

In addition, you acknowledge that we may, in our discretion, allow you and other franchisees or company-owned businesses to sell products (including retail items, if applicable), offer and promote delivery, large order packaging services and catering services through an alternative channel of distribution (such as on mobile app platforms, the Internet or Websites) provided you adhere to our standards. Currently if you are provided with a Territory (not applicable to Non-Traditional Locations unless operating within a military installation or university campus) you are allowed to sell products, offer, and promote delivery services on third-party mobile app delivery services to anyone from anywhere without compensation to other franchisees or company-owned businesses so long as all products are prepared from your Business (as described in Item 12). You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned businesses. If we authorize you to sell products and offer services (other than products on third-party mobile app platforms) through alternative channels of distribution, all products must be prepared and sold from your Business; delivery services must be performed within your defined Territory or within the parameters of your Non-Traditional Location; and all large packaging and catering services must be performed within your defined Territory or the parameters of your Non-Traditional Location. You are not authorized to sell any products or offer any services on the Internet or in any other media, whether now known or hereinafter invented, unless we otherwise approve it.

You must participate in any gift certificate or gift card program, loyalty, or rewards program we establish. You may not create or issue your own gift certificates, gift cards, loyalty, or rewards program without our prior written consent.

You must maintain proper permits and licenses to operate a Cupcake Heaven® business and provide products and services in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

You are encouraged to directly advertise and market to attract business, sell products (including retail items) serve persons, conduct off-site events within your Territory and provide delivery, large order packaging and catering services to anyone located within your Territory or within the parameters of your Non-Traditional Location. Regardless of whether you are provided with a Territory or operate out of a Non-Traditional Location, we place no restrictions upon your ability to sell products (including retail items), serve customers and perform delivery, large order packaging or catering services to anyone so long as all products are being prepared from your Business and all such services are performed within your Territory or within the parameters of your Non-Traditional Location. In addition, you may be able to conduct off-site events and perform delivery, large order packaging or catering services in other geographical areas outside your Territory or outside the parameters of your Non-Traditional Location under certain circumstances and provided you do so in accordance with our standards (as described in Item 12).

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document. “FA” refers to the Franchise Agreement.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
a. Term of the Franchise Agreement.	FA Section VII.A	FA- three years
b. Renewal or extension of the term.	FA Section VII.B	FA- Up to (1) five-year renewal if you meet certain term requirements.
c. Requirements to renew.	FA Section VII.B	FA - Written notice to us of your intent to renew, full compliance, sign then current form or new franchise agreement, pay the renewal fee, comply with our then current training and qualification requirements, execute a general release; and upgrade the Business to the then current standards. You may be asked to sign a contract with materially different terms and conditions than your original contract (check with FA).
d. Termination by you.	FA Section XXIII.D	FA - If we have materially failed to comply with terms of the FA after 30 days’ notice.
e. Termination by us without cause.	Not Applicable	We cannot terminate your FA without cause.

f. Termination by us with cause.	FA -Section XXIII.B and XXIII.C	FA - We can terminate the FA if you breach a material provision of the FA or fail to open the Business.
g. "Cause" defined; curable defaults.	FA- Section XXIII.B	FA-Violation of health or safety laws upon 72 hrs. notice; 5 days for failure to pay amounts owed; 30 days for all other defaults.
h. "Cause" defined noncurable defaults.	FA- Sections XXIII.C	FA - Failure to agree upon a territory; abandonment of the Business; failure to attend and satisfactorily complete the initial training program; surrender of control; misrepresentation or omission in application; felony conviction; unauthorized assignment; improper assignment upon death or disability; loss of possession of the Business; unauthorized use of Confidential Information; failure to pay taxes or liens; dishonest or unethical conduct; assignment for benefit of creditors; and bankruptcy.
i. Your obligations on termination / non-renewal.	FA- Section XXIV	FA -Cease operating Franchised Business; cease use of Confidential Information and Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver Manuals; assign phone numbers; comply with covenants and see "r" below.
j. Assignment of contract by us.	FA- Section XXII.C	No restriction on our right to assign.
k. "Transfer" by you-definition.	FA- Section XXII.B	FA-Includes transfer of the FA and Business assets by you.
l. Our approval of transfer by you.	FA- Sections XXII.C and XXII.E	FA -We have the right to approve all transfers by you.
m. Conditions of our approval of transfer.	FA- Sections XXII.C and XXII.E	FA- Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a general release.

n. Our right of first refusal to acquire your Business.	FA- Sections XXII.C and XXII.E	FA - We have the right to acquire your Business under the same terms you are offering to a third party
o. Our option to purchase your Business.	FA- Sections XXII.C and XXII.E	FA- You must notify us if you plan to transfer your Business to a third party. After we have been notified, we will notify you whether or not we will purchase your Business. We have the right to match any offers.
p. Your death or disability.	FA- Section XXII.D	FA - Franchise must be assigned to approved buyer within six months.
q. Non-competition covenants during the term of the Franchise.	FA- Section XIX.C	FA - No involvement in any competitive business anywhere in the US other than existing business.
r. Non-competition covenants after the franchise is terminated or expires.	FA- Section XIX.C	FA - No interest in competing business for two years within ten miles of any company owned outlet or other franchises.
s. Modification of the Agreement.	FA- Section XXV.J	FA - No modification except by written agreement, Operations Manuals are subject to change.
t. Integration / merger clause.	FA- Section XXV.J	FA – Only terms of the Disclosure Document and Franchise Agreement are binding subject to state law. Notwithstanding the prior sentence, nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document. Any representations or promises made outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration.	FA- Section XXV.D	FA- Arbitration and mediation in Prince William County, State of Virginia (subject to State law).
v. Choice of forum.	FA- Section XXV.G	FA -Litigation in Prince William County, State of Virginia (subject to state law).
w. Choice of law.	FA- Section XXV.G	FA - State of Virginia laws apply (unless prohibited by laws of state where Franchise is located).

x. Liquidated damages.

FA- Section XXIV.H

FA – If the Franchise Agreement is terminated prior to its expiration date, you shall be obligated to pay within thirty (30) days of termination or expiration of the Franchise Agreement, a sum determined by adding together the average Royalty Fee payments and average System Advertising Fund Fee payments that was paid to us during the previous twelve (12) months for either the remaining term (or renewal term) of the Franchise Agreement or two years (whichever comes first). If you have not made twelve (12) months of payments to us, then the number of payments you have made will be used to calculate the average of such Royalty and System Advertising Fund Fee payments.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark Vincellet, 6630 Jefferson Street, Haymarket, Virginia 20169 (703) 754-6300, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1

System-wide Outlet Summary

For Fiscal Years ending 2021 thru 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	2	+1
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	3	+2

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2021 thru 2023

States with one or more Franchises	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table 3
Status of Franchise Outlets
For Fiscal Years 2021 thru 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
VA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

Table 4
Status of Company-Owned Outlets
For Fiscal Years 2021 thru 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
VA	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2

* “Company-owned Outlets” includes the non-franchised business owned and operated by our affiliates. This business is not part of the Franchise System. It may be sold to others or to a franchisee in the future.

** Our fiscal year end is December 31. As of the date of this Disclosure, our affiliate operated two non-franchised businesses at the locations listed below:

Cupcake Heaven®
6330 Jefferson Street
Haymarket, VA 20169

Cupcake Heaven®
8348 W. Main St.
Marshall, VA 20115

Table 5
Projected Openings
For the Period Ending December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Nevada	0	0	0
Virginia	0	0	0

Totals	0	0	0
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A list of the names of all Franchisees and the addresses and telephone numbers of their Cupcake Heaven® business are listed as Exhibit G to this Disclosure Document. A list of the name and last known home address and telephone number of every franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2023 or who has not communicated with us within 10 weeks of our application date is attached as Exhibit H.

If you buy this Franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

At this time, there are no previously owned Cupcake Heaven® franchised outlets for sale.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

At this time there are no trademark specific franchisee organizations representing Cupcake Heaven® franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

ITEM 21 **FINANCIAL STATEMENTS**

Our certified, independent, audited financial statements for the period from our date of incorporation June 15, 2021 to December 31, 2023 are attached to this Disclosure Document as Exhibit I. Our fiscal year end is December 31. We have not been in business for three years or more and therefore cannot include all the financial statements required by the Federal Trade Commission franchise rules for our last three fiscal years.

ITEM 22 **CONTRACTS**

Copies of all proposed agreements regarding the franchise offering are included in the Exhibits that follow and include our Franchise Agreement and those other exhibits shown. This list below is only of documents that are considered agreements and a full list can be found at the end of the table of contents above:

- Exhibit A- Franchise Agreement with Schedules
 - Schedule 1 - Authorization for Pre-Arranged Payments
 - Schedule 5 - Individual Guaranty
 - Schedule 6 - Collateral Assignment of Lease
 - Schedule 8 - Confidentiality & Non-Compete Agreement
- Exhibit D - State Addenda
- Exhibit F - Option Agreement

ITEM 23 **RECEIPTS**

Included as the last document of this Disclosure Document (Exhibit K) and/or as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT A

FRANCHISE AGREEMENT

Between

Cupcake Heaven, LLC

and

Franchisee



FRANCHISE AGREEMENT

Between

Cupcake Heaven, LLC

6630 Jefferson Street

Haymarket, VA 20169

Direct (703) 754-6300

Web: www.CupcakeHeaven.com

and

Collectively referred to as “Franchisee”

Cupcake Heaven, LLC

FRANCHISE AGREEMENT

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Cupcake Heaven, LLC FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT (“Agreement”) is made by and between Cupcake Heaven, LLC, a Nevada limited liability company, hereinafter sometimes referred to as “CHL,” “Franchisor,” “we,” “us,” or “our” and that party or parties described as the Franchisee in this Agreement and on the signature line, hereinafter known as “you” or “Franchisee.” If the Franchisee is a corporation or limited liability company, partnership or other entity, certain provisions of this Agreement also apply to your shareholders, members, partners, or owners. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.” The persons signing as Franchisee, Owners or guarantors are referenced to herein individually as “you” or “yours” or collectively as “Franchisee.” The Franchisor and Franchisee (sometimes collectively referred to as the “Parties” and individually as a “Party”) are entering into this Agreement to evidence the agreement and understanding between the Parties as follows:

RECITALS

WHEREAS, We have devised a uniform system for the establishment and operation of a cupcake shop that offers a variety of gourmet cupcakes baked onsite, using quality ingredients and proprietary recipes (the “System”) either within a shopping center, strip center or free-standing structure; or within a non-traditional location (such as a hotel, airport, casino, transportation center, university, stadium, arena, theme park or military installation). Each Cupcake Heaven® business will offer freshly made cupcakes using specific ingredients, our proprietary recipes and batters for either onsite consumption or carry-out that includes: cupcakes in an assortment of flavors, our signature cupcake creations (such as chocolate harmony, red white and blueberry, mocha latte, etc.), gluten free cupcakes, a limited selection of pastries and muffins, hot beverages (such as coffee and tea), hot and cold specialty coffee drinks, cold beverages (such as milk, juices, lemonade and blended smoothies) and retail items for sale (hereinafter referred to as “Products”) in addition to offering delivery, large order packaging and catering services (hereinafter referred to as “Services”) at any Cupcake Heaven® franchised location (hereinafter referred to as the “Business,” “Franchise Business,” “Franchised Business,” or “Franchise”); and

WHEREAS, We identify our System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the mark “Cupcake Heaven” and such other trade names, service marks, trademarks and trade dress as are now designated (or may be designated hereafter by us in writing) for use in connection with our System (referred to as the “Names and Marks,” “Names” or “Marks”); and

WHEREAS, We have entered into an exclusive license (“License Agreement”) with Cupcake Heaven and Cafe, LLC for the right to use and sublicense to our franchisees the right to use the Names, Marks, and other property in connection with the operation of a Cupcake Heaven® Business; and

WHEREAS, We continue to develop, use, and control the use of such Names and Marks to identify for the public the source of Products and Services marketed thereunder and under our System, and to represent the System's high standards of consistent quality, appearance, and service; and

WHEREAS, We have established substantial goodwill and business value in our Names and Marks, expertise, and System; and

WHEREAS, We have the right to license the System, including our expertise for conducting and operating a business under the mark and design Cupcake Heaven®; and

WHEREAS, Franchisee desires to obtain a franchise from us and we desire to sell a franchise to Franchisee for the right to use the Names and Marks and the expertise for operating a Cupcake Heaven® Franchised Business, and to obtain the benefits and knowledge of our System including, but without limitation our: distinctive and unique build out and design specifications, Products, Services, full menu of cupcakes including our signature cupcake creations using proprietary recipes and batters; specific Product preparation standards, techniques, procedures and methods; uniformity of all Products and Services offered, food presentation standards, procedures for sanitation, cooking and storage; operational procedures, specifications for all products and equipment, purchasing strategies, relationships with vendors and suppliers, procedures for safety and quality control, tracking inventory and cost controls; guidelines for employee hiring, training and retention; service standards, strategies for retaining customers and executing large packaging and catering services; sales, advertising, marketing and promotional strategies and materials; record keeping, cost controls, accounting methods and reporting procedures; and in general a style, method and procedure of business operation utilizing the Names and Marks and System, all as a Franchisee of ours; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and franchised by us and Franchisee understands and acknowledges the importance of our high standards of quality, appearance and service and the necessity of operating the Business in conformity with our standards and specifications.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

I. FRANCHISEE'S ACKNOWLEDGEMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE

Franchisee (and each Owner) hereby represents that Franchisee has conducted an independent investigation of our business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. We expressly disclaim the making of, and Franchisee acknowledges that it has not received any, warranty or guarantee, express or implied, as to the potential volume, revenues, gross income, margins, profits, or success of the Business contemplated by this Agreement. Franchisee further acknowledges that none of our employees, or agents has any authority to make any statement, warranty, or guaranty of the potential volume, revenues, gross income, margins, profits or success of the Business contemplated by this Agreement and that we have expressly instructed all of our employees not to make any warranty, guaranty, statement, or representation regarding the potential volume, revenues, gross income, margins, profits or success of the Business contemplated by this Agreement. Franchisee acknowledges that Franchisee is given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that we have advised Franchisee to have this Agreement reviewed by an attorney. Franchisee hereby releases us, our employees, shareholders, managers, our

affiliated companies, and agents from liability based on such representations or agreements, to the extent permitted by law or regulation.

Franchisee acknowledges that we have not made, and do not hereby make, any representation or warranty as to potential revenues, income, profits, volume or success of the Franchise or merchantability, performance, condition, fitness, or suitability for the Franchisee's purposes of any component of the System or make any other representation or warranty with respect to the System. We shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or any Products or Services, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the System, or any loss of business, profits, consequential or other damages of any nature; provided however that such loss, claim, liability, cost, damage or expense is not due to our negligence or intentional acts in connection with the System or any Products and Services.

II. FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT

Franchisee acknowledges having received, read, and understood this Agreement, the Franchise Disclosure Document, and attachments thereto. Franchisee further acknowledges that we have accorded Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a complete copy of this Agreement, exhibits, attachments, and schedules (collectively, the "Schedules") referred to herein, and agreements relating hereto, as well as the Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed and any money was paid for the Franchise.

Franchisee acknowledges that he or she has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of ours to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, made by us or our agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by us. The only representations, warranties, and obligations of us are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, we will not provide financial assistance to Franchisee and we have made no representation that we will buy back from Franchisee any products, supplies, kitchen equipment, technology items (such as: computers or laptops, POS system, sound system, phone system, etc.), furnishings, fixtures or signage purchased by Franchisee in connection with the Business, except where we are otherwise required by law or regulation to buy back such items upon expiration or termination of this Agreement.

III. NO PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS

We do not make Financial Performance Representations and have not included any such representations in the Franchise Disclosure Document. Franchisee, and each Owner or other person related to Franchisee who executes this Agreement, acknowledges that neither we nor any officer, director, employee or agent of ours have made, and Franchisee has not received or relied upon, any express written or verbal information, representations, assurances, warranties, guarantees, inducements, promises or

agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings, margins, or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as “Financial Performance Representations”), except as may be in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

IV. RELATIONSHIP OF THE PARTIES

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public at all times, as an independent contractor operating its Business pursuant to a franchise from us. This Agreement is not intended to create, and shall not be interpreted as creating, a partnership, joint venture, agency, employment or personal services or similar relationship between us and Franchisee. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which we shall have the right to specify. Franchisee will provide such notices on letterhead, business cards, bank account names, bank checks, and signs at the place of business. Franchisee is responsible for collecting and remitting Social Security, Medicare, unemployment contributions and/or any other mandated county, state or federal obligations and benefits on behalf of its employees. Franchisee acknowledges that we have no responsibility to ensure that Franchisee’s Business is developed and operated in compliance with all applicable laws, ordinances, and regulations and that we shall have no liability in the event the development or operation of the Business violates any law, ordinance, or regulation.

B. Franchisor Is Not in a Fiduciary Relationship with Franchisee

It is understood and agreed by the Parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, we shall not have any fiduciary relationship to the Franchisee by virtue of the fact that we may operate a System Advertising Fund (as defined in Section X.B of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, lease or representation on our behalf, or to incur any debt or other obligation in our name; and that we shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall we be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim, liability or judgment arising therefrom against the Franchisee or us.

Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, such documents do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, tax claim, proceeding or dispute that may adversely affect the Franchisee’s financial condition or impair its ability to perform its obligations under the terms of this Agreement.

It is understood that Franchisee will have sole responsibility for its employees and all acts of its employees, and all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, social security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in Section XII.F). The Franchisee must disclose to each of its employees in writing, in a form approved by us in advance, that we are not a “joint employer” of the

Franchisee's employees. The Franchisee acknowledges that we do not control the Franchisee's personnel policies, including establishing wage and hour requirements, hiring, firing, setting wages, disciplining, supervising and record keeping of employees.

V. FRANCHISE GRANT

We hereby grant to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein, to operate a Cupcake Heaven[®] Business that has been assigned a protected territory as set forth in Section VI (referred to as the "Territory") for the entire term of this Agreement, with the right to use solely in connection therewith our Names and Marks, Products, Services, our advertising and marketing methods, and our System, as each may be changed, improved and further developed from time to time only at the accepted location as set forth in Section VI and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or if any other agreement is executed, this franchise includes no right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by us in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of a Cupcake Heaven[®] Business, provided that, Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

VI. TERRITORY

Franchisee is not granted an exclusive territory. We grant Franchisee a Territory that is a protected territory as defined in this Agreement unless Franchisee operates its Business in a Non-Traditional Location. A "Non-Traditional Location" is defined as operating the Cupcake Heaven[®] Business within a specific facility such as a: hotel, airport, casino, transportation center, university, stadium, arena, theme park or military installation. Franchisees that operate a Cupcake Heaven[®] Business in a Non-Traditional Location will not be granted a Territory which means Franchisee may face competition from other Cupcake Heaven[®] businesses (as described below). The location of the Franchise Business shall be: within the State of _____ in the county of _____. If the actual Franchise Business address has not yet been chosen, Franchisee's Accepted Location shall be within an area referred to as the "Search Area."

The "Search Area" is:

The exact "Accepted Location" for the Business is:

The protected Territory for a Business that is not in a Non-Traditional Location will be:
_____ miles driven from any direction of the Business.

If the Parties do not select a Territory or choose a Non-Traditional Location in which to operate the Business prior to the signing of this Franchise Agreement, then they shall agree to it at a later date, under the terms of this Agreement. Failure to secure a lease for the Business within ninety (90) days and/or open the Business within one hundred eighty (180) days from the execution of this Agreement will permit us to terminate this Agreement, as provided in Section XXIII.C.

The Territory, under the terms of this Agreement and if not operating in a Non-Traditional Location, will normally include up to three (3) miles driven in any direction from the Business as defined by Google Maps or a similar computer mapping program. We reserve the right to grant a Territory that is larger or smaller than the three (3) mile area described above, in order to account for more densely or sparsely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to Franchisee). Franchisee may not conduct business out of any other location or locations other than the Accepted Location identified above; however, Franchisee may conduct off-site events (such as community events, consumer shows, festivals, expos, etc.) within its Territory (off-site events not applicable if Franchisee operates a Non-Traditional Location since its Territory is limited to the parameters of its facility, however, Franchisee may be able to do so under certain circumstances as described below). Due to the nature of the Cupcake Heaven® business model, all Products must be prepared from Franchisee's Accepted Location; and all Services performed from Franchisee's Accepted Location and within Franchisee's Territory or within the parameters of its Non-Traditional Location. Franchisee can sell Products to anyone and serve anyone who comes from anywhere; can conduct off-site events within its Territory (off-site events not applicable if Franchisee operates a Non-Traditional Location) and can perform Services to any persons or businesses within its Territory or the parameters of its Non-Traditional Location. However, Franchisee may be able to perform Services and conduct off-site events in geographic areas outside its Territory or outside the parameters of its Non-Traditional Location under certain circumstances (as further described below).

The Territory, if not operating in a Non-Traditional Location, will be determined by population base, demographics of the surrounding area, competition, business potential (such as: number of bakeries, residential homes and businesses that are in the area), availability of appropriate sites, reasonable rent, or other conditions important to the successful operation of a Franchised Business as we deem appropriate. The Territory is determined once a location is chosen and approved by us and will not be altered even if there is a population increase or decrease during the term of this Agreement. The Territory is not dependent upon achievement of certain revenues, market penetration or any other contingency. The boundaries of the Territory described above shall be determined by major topographical features that clearly define contiguous areas such as: streets, highways, freeways or other roadways, rivers, streams, mountains, and underdeveloped land. We determine the size and boundaries of the protected Territory.

Franchisee must operate its Business within the specific Territory or within the parameters of the Non-Traditional Location as identified in this Section VI. If not determined when this Agreement is executed, Franchisee is responsible for selecting the site for the Accepted Location within the Search Area specified above and in accordance with this Agreement. We must approve the site where Franchisee intends to operate the Business within its Territory or within the parameters of the Non-Traditional Location before opening for operation and prior to Franchisee becoming obligated on a lease. Franchisee may not open the Business at any other location other than the Accepted Location that has been set forth in this Agreement or made part hereof by an addendum attached to this Agreement.

Franchisee shall not relocate a Cupcake Heaven® Business that has been assigned a Territory or is within a Non-Traditional Location, without our prior written consent (specified in Section XXII.A). If Franchisee is provided with a Territory during the term of this Agreement, we shall not establish, nor franchise another party or entity to establish, a Cupcake Heaven® Business within the Territory outlined above. If Franchisee operates its Business in a Non-Traditional Location, Franchisee acknowledges that Franchisee's protected area is only within the parameters of such Non-Traditional Location (such as within a: hotel, airport, casino, transportation center, university, stadium, arena, theme park or military installation) which is normally the concentrated area, facility or building of where the Business will be operated from. We have a right to franchise others and operate company-owned businesses anywhere outside the parameters of the facility where Franchisee's Business is located. However, and by way of example, if Franchisee operates a Cupcake Heaven® Business within a Non-Traditional Location, we

cannot establish either a company-owned or franchised Cupcake Heaven[®] Business anywhere within the parameters of Franchisee's Non-Traditional Location. If Franchisee decides to open additional Businesses and buys the rights to additional Franchises, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Business as defined in Section IX.D of this Agreement). If a geographical area is unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to Franchisee and Franchisee might not have right of first refusal or the option to buy the territory that was formally unassigned.

Franchisee is encouraged to directly advertise and market to sell Products and promote Services within its Territory or within the parameters of its Non-Traditional Location. Franchisee may accept business, sell Products and serve anyone who comes from anywhere so long as: all Products are prepared from the Accepted Location; all Products are sold from the Accepted Location or at off-site events (off-site events applicable if not operating a Non-Traditional Location as described below) within its Territory; all Services are performed from the Accepted Location; and all Services are performed within Franchisee's Territory or within the parameters of its Non-Traditional Location (with the exception of third-party mobile app delivery services if operating within a military installation or university campus as described below). If not operating a Non-Traditional Location, Franchisee is encouraged to conduct business at off-site events to sell Products and promote its Business (such as at: community events, consumer shows, festivals, expos, etc.) so long as such off-site events are performed within its Territory. We may grant Franchisee permission to sell Products and/or perform Services outside its Territory or, if operating out of a Non-Traditional Location, away from its facility (as further described below). We, company-owned locations, and other franchisees reserve the same right to sell Products and serve anyone who comes from anywhere and provide Services within the boundaries of our and other franchisee's territories without compensation to Franchisee. Franchisee is also not restricted as to the geographic area into which Franchisee may attract customers and Franchisee is encouraged to directly advertise and market within its Territory or within the parameters of its facility if operating a Non-Traditional Location, and may end up attracting customers from other geographic areas; however, Franchisee cannot perform any target marketing ("Target Marketing") into any other territory of another franchisee or company-owned business and/or outside the parameters of its facility if operating a Non-Traditional Location. The term "Target Marketing" means a concerted effort by a franchisee to solicit and obtain customers by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned area or unassigned area. We shall use commercially reasonable efforts to address any franchisee that violates this policy. Failure of Franchisee to refrain from Target Marketing, as described above, may result in termination of this Agreement as specified in Section XXIII.C.

Franchisee is prohibited from selling Products, offering and promoting Services through any alternative channels of distribution (such Websites as defined below) without our written approval. Currently Franchisee is authorized to sell Products and offer delivery services on third-party mobile app delivery services to anyone from anywhere without compensation to other franchise or company-owned businesses so long as all such Products are prepared from its Accepted Location. Due to the nature of third-party mobile app delivery services, Franchisee may have no control where such delivery services are performed, however Franchisee is required to communicate with such mobile app delivery service providers its geographical boundaries to minimize such delivery services being performed outside its Territory. Traditionally third-party mobile app delivery services will route customer orders to the business closest in proximity to the customer's delivery point. If Franchisee operates a Non-Traditional location, Franchisee is not authorized to sell Products and offer delivery services on third-party mobile app platforms (unless operating within a military installation or university campus). We reserve the right to revoke our approval of Franchisee's use of such third-party mobile app delivery services at any time upon written notice (via email or any other form of written communication) and Franchisee will be given 90 days to comply with such requirements at its cost. If Franchisee is granted permission to offer, sell and/or promote Products or Services through an alternative channel of distribution (other than on third-party mobile app platforms), per our written approval, Franchisee may sell Products to anyone from anywhere without

compensation to the other franchisees or company-owned businesses so long as all Products are prepared and sold from Franchisee's Accepted Location and such Services are performed within Franchisee's Territory. We, other franchisees and company-owned businesses are subject to the same restrictions and reserve the same right to sell to anyone from anywhere and offer and promote Services through third-party mobile app platforms and alternative channels of distribution so long as such Products are prepared from our/their locations and such Services are performed within the boundaries of our/their respective areas without compensation to Franchisee. Our response to Franchisee's request to offer, sell or promote Products and Services through an alternative channel of distribution will be made by email or any other form of written communication within thirty (30) days after we receive it. Approval may be revoked in our sole discretion. Failure of Franchisee to refrain from using third-party mobile app delivery services if we revoke our approval in the future (as described above) or if Franchisee attempts to sell, offer, or promote its Products or Services on an alternative channel of distribution without our written permission, will result in termination of this Agreement as specified in Section XXIII.C.

Franchisee can perform Services to anyone within its Territory or within the parameters of its Non-Traditional Location so long as all Products are being prepared, sold, and delivered from Franchisee's Accepted Location. Unless Franchisee operates a Non-Traditional Location, Franchisee can conduct off-site events to promote its Business anywhere within its Territory. However, if Franchisee is asked to perform Services (other than on third-party mobile app platform services, as described above) or conduct off-site events outside its Territory or outside the parameters of its facility (if operating out of a Non-Traditional Location) in which there is another franchise or company-owned business, Franchisee must immediately refer that request to the Cupcake Heaven® business in that geographical area or directly to us. Franchisee must not perform any Services or conduct off-site events outside its Territory or outside the parameters of its facility (if operating out of a Non-Traditional Location) if another franchise or company-owned business is operating in that area. If the other franchise or company-owned business determines it is in the best interest of the person or business for Franchisee to perform Services or conduct such off-site event, then Franchisee, regardless of whether Franchisee operates a Non-Traditional Location, can immediately service the person or business and/or conduct such off-site event. In this situation and regardless of whether Franchisee operates a Non-Traditional Location, if there is not a Cupcake Heaven® business in that other area, then Franchisee, can provide such Services and conduct such off-site events, however Franchisee must be prepared to refer the person or business and/or off-site event to another franchisee when the unassigned area is purchased. We and other franchisees and company-owned businesses must refer persons and businesses that request Services within Franchisee's Territory or within Franchisee's facility (if operating out of a Non-Traditional Location) and/or off-site events that are within Franchisee's Territory to Franchisee and also reserve the same right to perform Services to persons or businesses and/or conduct off-site events within Franchisee's Territory (or Non-Traditional Location) if it is determined, to be in the person's or business's best interest, by the franchisee or company owned business of that territory.

If during the term of this Agreement, Franchisee is unable to promptly and properly provide Products, unable to service customers or perform Services due to excessive work or other cause; then Franchisee must immediately refer that person or business to another franchise, company-owned business or to us. Failure of Franchisee to refrain from referring persons, businesses, Services and/or offsite events as described herein, will result in us having the right to terminate this Agreement as specified in Section XXIII.C. For any default of this Agreement which triggers our ability to terminate, then as an alternative to termination, we have the right, in our sole discretion, to modify or eliminate any rights Franchisee may have with respect to the protected status of the Territory, effective ten (10) days after delivery of written notice to Franchisee.

We encourage Cupcake Heaven® businesses, when owned by different individuals, to work out a referral and advertising arrangement if they are within close proximity of each other (defined as being within a ten (10) mile radius of each other). We must be notified in writing of all such arrangements.

We may, from time to time, establish certain programs for the benefit of franchisees and the System wherein Cupcake Heaven® franchisees will be permitted to provide Products and/or perform Services in accordance with the specifications described in any particular program established by us. Currently in effect, is our proprietary Loyalty Program (defined in Section XII.H) and National Account program. The National Account program is defined as follows:

- a) The term “National Account” means a special class of persons which may include but is not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for buildings or common-services in more than one location whose presence is not confined within any one particular franchisee’s Territory regardless of the aggregate contract amount of the Products and/or Services the Franchisee wishes to provide or perform. Any dispute as to whether a particular person is a National Account shall be determined by us in our sole and absolute discretion and our determination shall be final and binding;
- b) We shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of ourselves, Franchisee and/or any other franchisees utilizing the Marks, to negotiate and enter into agreements or approve forms of agreement to provide Products and perform Services for National Accounts, including any affiliate, company owned or franchised locations within the Territory or Non-Traditional Locations;
- c) Following the execution of a contract with or the acceptance of a bid by a National Account which contemplates the provision of Products or Services to one or more National Account locations within the Territory, we will, if Franchisee is qualified and conditioned upon the terms of this Agreement and any addendum hereto, provide Franchisee the option to provide such Products and Services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our sole discretion determine;
- d) If Franchisee elects not to provide Products or perform Services to a National Account in conformity with the terms and conditions of the National Account bid or contract, or fails to make an election within the time specified by us, of being offered the opportunity by us, we shall have the right, exercisable in our sole discretion, to:
 - i. Provide directly (or through any other affiliate, or franchisee utilizing our Marks) Products and/or Services to a National Account location(s) located anywhere on the terms and conditions contained in the National Account bid or contract; and/or
 - ii. Contract with another party to provide Products and/or perform Services to the National Account location(s) located anywhere on the terms and conditions contained in the National Account bid or contract between us and the National Account, utilizing our Marks or any trademarks, service marks or trade names.
- e) Neither the direct provision by us (or a franchisee, affiliate or agent of ours) of Products or Services to National Accounts as authorized in (i) above, nor if we contract with another party to provide such Products and/or Services as authorized in (ii) above, shall constitute a violation of Section VI of this Agreement relating to the Franchisee’s Territory, even if such Products and/or Services are offered or performed from a location within the

Territory or Non-Traditional Location. Franchisee disclaims any right to compensation for Products provided or Services performed by others pursuant to this section.

If Franchisee is provided a Territory, Franchisee's rights in the Territory are exactly (and only) as expressly set forth in this Section VI. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Cupcake Heaven® (or any other brand) units or distribution channels of any type, franchised or company-owned business, regardless of their location or proximity to the Business and whether or not they sell Products or provide Services within that area. Franchisee does not have any rights with respect to other and/or related businesses, products and/or services, in which we or any of our persons or entities may be involved, now or in the future.

Any rights not expressly granted to the Franchisee are reserved to us. Such rights reserved to us include but are not limited to the following:

- 1) Own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) Any kind of business in the Territory or Non-Traditional Location, which is not substantially similar to a Cupcake Heaven® business, whether or not using the Marks and System and on any terms and conditions we deem appropriate; and
 - b) Any kind of business outside of the Territory or outside the Non-Traditional Location, including, without limitation, Cupcake Heaven® businesses, whether or not using Cupcake Heaven® Marks and System and on any terms and conditions we deem appropriate;
- 2) Develop, distribute and sell Cupcake Heaven® labeled and branded (or any other brand) products and kitchen equipment (if developed) to anyone located anywhere (including within the Territory, if applicable) using any channel of distribution other than the operation of a Cupcake Heaven® Business in the Territory or Non-Traditional Location and on any terms and conditions we deem appropriate (including, but not limited to, supermarkets, specialty food stores, discount club chains, retail stores and other similar venues and other channels of distribution such as television, mail, catalog sales, wholesale to unrelated retail outlets or over the Internet);
- 3) Develop or become associated with concepts other than the Cupcake Heaven® Business franchised hereunder (including dual branding and/or other franchise systems), whether using the System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere. If we become associated with a business within Franchisee's Territory that uses our Marks and System, we will make commercially reasonable efforts to maintain the protected status of Franchisee's Territory;
- 4) Acquire, be acquired by, sell our assets, sell our stock, membership units, or partnership units to, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Marks and System). Franchisee agrees to participate at its expense in any such conversion as instructed by us. However, if we acquire or merge with a business within Franchisee's Territory that is similar to a

Cupcake Heaven® business, we will make commercially reasonable efforts to maintain the protected status of Franchisee's Territory;

- 5) We may choose in our Business Judgment (as defined in Section XXI of this Agreement) to advertise, offer, and sell Products and/or Services through the Internet and other similar venues (no matter where the person is located) without paying any compensation to Franchisee. The Internet is a channel of distribution reserved exclusively to us and Franchisee may not independently market on the Internet or conduct e-commerce, without our written consent; and
- 6) Acquire or establish any Websites utilizing a domain name incorporating one or more of the following words: bakery, cupcake, eat, favorite, flavor, fresh, gourmet, heaven, made, own, scratch, service, sweet, take-out, taste, or any variation thereof or any other words that describe the Business as determined by us. The term "Website" includes: Internet home pages, as well as other electronic sites (such as social networking sites like Yelp, Facebook, Twitter, LinkedIn, blogs, and other applications). Currently Franchisee is authorized to participate on Facebook, Instagram, and Yelp. Other than Facebook, Instagram and Yelp Franchisee shall not establish a Website on the Internet using any domain name containing the words listed above or any variation thereof. Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual. Franchisee must provide us with all login and password information for all Websites and acknowledges that we have the right to monitor, remove, edit, or delete any content (including posts) as we consider appropriate. Franchisee must also comply with our requirements regarding discussing, advertising, or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require; and all such work must be performed by us, our affiliates or approved vendors; (iii) Franchisee must not use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, Franchisee must establish hyperlinks to our Website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding us, our members, managers, officers, or employees, or the System, on any Website or any internet site, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall monitor its employees to prevent them from making any such postings. We retain the right to pre-approve Franchisee's use of linking and framing between the Franchisee's web page and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee's web pages and any other Websites and cause any advertisements to be removed, if and requested by us.

We may provide Franchisee, subject to certain terms and conditions, with options, rights of first refusal or similar rights to acquire additional franchises in other areas or areas contiguous to the Territory or Non-Traditional Location. Franchisee's Territory or the parameters of its Non-Traditional Location may be altered during the initial term, but only: (i) by mutual consent in writing; (ii) at the time of transfer or

renewal as a condition to transfer or renewal; (iii) for any default of this Agreement which triggers our ability to terminate as described above; or (iv) after our merger or other reorganization that involves assuming a similar type of business as Franchisee's, after we have made reasonable efforts to preserve Franchisee's Territory.

VII. TERM AND RENEWAL OF AGREEMENT

A. Term

The franchise herein granted for a Cupcake Heaven® Business, shall be for a term of three (3) years from the date of execution and acceptance (the "Effective Date") of this Agreement by us and subject to earlier termination as herein provided.

B. Renewal

Franchisee shall have the option to renew this Agreement for up one (1) additional term of five (5) years, provided we are still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give us written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term. We will respond to Franchisee's written notice to renew no later than thirty (30) days after receipt of such notice by email or any other form of written communication;
2. Franchisee must not currently be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between us and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;
3. Franchisee's right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. We may refuse to renew or extend the Franchise if: (a) Franchisee has failed to use its best efforts to operate the Franchised Business to our satisfaction; (b) the Franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) we are withdrawing from franchising in the geographic market Franchisee serves; (e) Franchisee fails to satisfy our then-current standards for new franchisees or (f) Franchisee has been in default of this Agreement more than three (3) times during the entire three (3) or five (5) year term of this Agreement;
4. Franchisee shall have satisfied all monetary obligations owed by Franchisee to us and our affiliates, and shall have timely met these obligations throughout the previous term;
5. Franchisee shall execute, before the renewal term, our then-current form of agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may materially differ from the terms of this Agreement. We will charge Franchisee a renewal fee of two thousand five hundred dollars (\$2,500) and renewal may be for the same protected area or Non-Traditional Location as outlined in Section VI (if applicable), above;
6. Franchisee shall comply with our then-current qualification and training requirements;

7. Franchisee must execute a general release, in a form prescribed by us releasing any and all claims against us and our affiliates, and us and our affiliate's respective owners, officers, directors, agents and employees, if such release is not in conflict with any local, state, or federal laws; and
8. Franchisee shall upgrade, remodel and/or refurbish the Business (both inside and outside) in order to meet our then-current standards. Franchisee will update all signage and all kitchen equipment, furnishings, fixtures, technology items (such as: computers or laptops, POS system, sound system, phone system, etc.) located at the Business to meet our then-current requirements. Franchisee will complete all remodeling, modernization, redecoration, or replacements at Franchisee's expense in accordance with our standards and specifications.

VIII. FRANCHISEE'S INITIAL INVESTMENT

The Franchisee's initial investment will vary depending upon the size of the Business, build out expenses, if Franchisee chooses to lease a second generation space compared to an empty shell, size of the facility, if Franchisee chooses to build out a drive-thru for the Business, if Franchisee chooses to finance or purchase some of its kitchen equipment, amount of kitchen equipment Franchisee finances or purchases, amount of inventory Franchisee purchases, number of employees Franchisee hires, time of year when Franchisee starts business, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document and has sufficient cash resources available to meet said expenses. These start-up costs include the Initial Franchise Fee.

IX. FRANCHISEE'S INITIAL FRANCHISE FEE

A. Initial Franchise Fee and Payment

By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of ten thousand dollars (\$10,000) for a Cupcake Heaven® Business. This Initial Franchise Fee includes a right to operate a single Cupcake Heaven® Business in a Territory that is up to three (3) miles driven in any direction from the Business determined by boundaries as described in Section VI of this Agreement; or, if Franchisee chooses, within a Non-Traditional Location that is site specific. The Initial Franchise Fee includes an affiliate web page housed within our national website that includes online ordering functionality and may include access to franchise portals online, a nine (9) day initial training program at corporate headquarters, manuals and up to three (3) days of onsite guidance for either pre-opening or grand opening assistance.

The Initial Franchise Fee is due upon execution of this Franchise Agreement. The Initial Franchise Fee is uniform as to all persons currently acquiring a Franchise and is non-refundable. The Initial Franchise Fee shall be paid in a lump sum in United States funds and shall be deemed fully earned upon the opening of the Business for the deliverables as described above in Section IX.A.

B. Time Limit for Opening the Business

The Franchisee shall maintain the Business in accordance with the provisions and requirements of Section XII hereof and must secure a lease that has been approved by us (as described in Section XII.S) within ninety (90) days of the execution of this Franchise Agreement ("Effective Date") and open the

Business for operation (the “Opening”) within one hundred eighty (180) days from the date of execution of this Franchise Agreement. The Opening requires that Franchisee has qualified for and has obtained all necessary licenses and permits needed to sell Products and perform Services. We may, in our discretion, grant Franchisee one sixty (60) day extension past the allotted time within which to secure a lease and/or open the Business.

Upon Franchisee’s failure to (i) agree on a Territory (unless operating in a Non-Traditional Location) and/or acquire a lease within ninety (90) days from the Effective Date; and/or (ii) timely satisfy the Opening requirements within one hundred eighty (180) days from the Effective Date; then we may, at our sole discretion, terminate the Franchise and this Agreement and retain all fees paid by Franchisee, without breach of this Agreement by us as specified in Section XXIII.C.

During the term of this Agreement, the Accepted Location shall be used exclusively for the purpose of operating a Franchised Business and shall be located within the Territory or Non-Traditional Location. In the event the Business shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Business within thirty (30) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), and shall complete all required repairs as soon as possible thereafter, in continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice. The minimum acceptable appearance for the refurbished Business will be that which existed just prior to the casualty; however, every effort should be made to have the refurbished Business include the then-current image, design, and specifications of a Cupcake Heaven® business.

As between us and the Franchisee, the Franchisee shall bear the entire risk of any damage, loss, theft, or destruction to the Business from any cause whatsoever or requisition of the Business by any governmental entity or the taking of title to the Business by eminent domain or otherwise (collectively, “Loss”). The Franchisee shall advise us in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such Loss, we, at our option, may: (a) if the Loss has not materially impaired the Business (in our reasonable Business Judgment), require that the Franchisee, upon our demand, place the Business in good condition and repair reasonably satisfactory to us as mentioned above; or (b) if the Loss has materially impaired the Business and it is substantially destroyed, (in our sole judgment), we may require the Franchisee to repair the existing Business or find an alternative location within the Territory and be operational within ninety (90) days or soonest possible timeframe according to Franchisee’s lease. We may extend this period an additional thirty (30) days at our discretion and failure of Franchisee to comply may result in termination of this Agreement. Upon termination, the Franchisee must return to us the System (including all materials), and we have the first right of refusal to purchase all Assets (as described in Section XXIV.G), but any such purchase price will be reduced to account for the Loss the Franchisee incurred.

It is understood and agreed that, except as expressly provided herein, this Agreement includes no right of Franchisee to sub franchise, which means for the Franchisee to act as a seller of Cupcake Heaven® franchises.

C. Cooperation Required

Franchisee shall cooperate reasonably with us to ensure that the various actions occur which are necessary to obtain acceptance by us of the Business location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by us regarding Franchisee’s Business and finances.

D. Establishing Additional Franchise Businesses

If Franchisee desires to establish and operate additional Cupcake Heaven® businesses, we may in our sole discretion, grant Franchisee the right to operate a second (2nd) Business (and any additional Business thereafter) for a reduced Franchise Fee of five thousand dollars (\$5,000) each. Franchisee must meet minimum conditions: (a) Franchisee must satisfy our then-current qualifications and training requirements; (b) Franchisee must execute our then-current franchise agreement; and (c) the Franchisee must not currently be or have been in default of any of the terms of this Agreement plus any other requirements to purchase an additional franchise.

X. **OTHER FEES**

A. Royalty Fees

In addition to the Initial Franchise Fee described in Section IX above, the following recurring or isolated payments are required to be made by the Franchisee. The Franchisee pays to us a “Royalty Fee” of four percent (4%) of total Gross Revenue for each calendar month (for the previous month) and is to be received as we specify in writing. The Royalty Fee is due on the seventh (7th) day of each month (for the prior month) and begins immediately once the Business is open for operation, then continues for the term of this Agreement. The Royalty Fee is uniform as to all persons currently acquiring a Cupcake Heaven® Franchise and is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such royalty payments as described in Section XXIV.H.

As used in this Agreement, “Gross Revenue” shall include all revenue accrued from the performance of services in, at, upon, about, through or from the Business, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Business including but not limited to revenues generated from: the sale, delivery and performance of all Products and Services from the Accepted Location (including away from the Accepted Location and on any alternative channels of distribution such as on the Internet, mobile devices, etc.), insurance proceeds and/or condemnation awards for loss of sales, profits or business; and fair market value for any product or service Franchisee receives in barter or exchange for its Products or Services. The sale of Products and performance of Services away from the Accepted Location is also included in computing Gross Revenue. However, Gross Revenue shall not include: (i) revenues from any sales taxes or other add on taxes collected by Franchisee for transmittal to the appropriate taxing authority; (ii) gratuities paid by customers to Franchisee’s employees; (iii) the amount of refunds and/or voided transactions under one percent (1%) of Gross Revenues Franchisee in good faith gives to customers and customer refunds of previous payments Franchisee made; (iv) the retail value of any donated and complimentary (free) Products and/or Services offered to customers and employees (including meals offered to employees) up to a maximum of two percent (2%) of Gross Revenues for the Business; and (v) gift card sales Franchisee makes from its Business (to the extent such revenue is recognized at the time of redemption). For clarity, in no event may Franchisee exclude or deduct from Franchisee’s Gross Revenues more than the one percent (1%) and two percent (2%) as described above. We have the right to change, modify or discontinue Franchisee’s ability to exclude the amount of refunds and voided transactions and/or discounted and complimentary Products and/or Services, from Franchisee’s Gross Revenue calculation for any reason whatsoever upon ninety (90) days’ written notice to Franchisee.

Any payment or report not actually received by us on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to us under this Agreement, Franchisee shall pay us a fee of twenty-five dollars (\$25), in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of one and one half percent (1.5%) per month or the maximum rate allowed by the laws of the State in which Franchisee’s Business is located or any successor or substitute law (referred to as the “Default Rate”), until paid in full.

B. System Advertising Fee

Franchisee will pay a System Advertising Fee equal to one percent (1%) of Gross Revenues per calendar month to be paid in the same manner as the royalty obligation that begins immediately once the Business is open for operation and continues for the term of the Agreement (as defined in Section X.A). We can increase the System Advertising Fee, and such increase will not exceed three percent (3%) of Franchisee's Gross Revenues in any calendar year (and for the term). If we increase the System Advertising Fee, Franchisee will be given ninety (90) days' written notice prior to such increase.

The System Advertising Fee is to be received by us on or before the seventh (7th) day of each month for the prior month. This fee will be deposited into our System Advertising Account (the "Fund") for ongoing technology or new product or kitchen equipment development, and such national advertising or public relations programs as we, in our sole discretion, may deem appropriate to promote the Marks. The Fund may also be used for local franchisee group advertising or marketing and franchisee advisory council expenses; local, regional, national, or international advertising or marketing; administration of advertising and marketing (including salaries, accounting, collection, legal and other costs), related expenses and any media (including media production costs) or agency costs. We will direct all such programs, and will have sole discretion over the creative concepts, materials, endorsements, and media used in such programs, and the placement or allocation of such programs. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. Cupcake Heaven® businesses owned or operated by us or our affiliates will contribute on the same basis to the Fund.

We may disclose the identity of vendors who pay promotional allowances to us upon Franchisee's request and only after Franchisee's signing an appropriate non-disclosure agreement. If we require Franchisee to buy items from a vendor who pays these allowances, we may do one of the following: (i) place all or some of the allowances in the Fund or (ii) spend them directly on related advertising. This does not apply to fees we receive from purchases that are not required to be made from a specified source. We are not obligated to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement. Neither we nor any of our advisory council members has any fiduciary duty to the Franchisee regarding any System Advertising Fund.

Franchisee's failure to pay required System Advertising Fees is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. We may remove Franchisee from advertising or marketing materials without notice if Franchisee fails to timely remit its System Advertising Fee.

C. Electronic Funds Transfer

We reserve the right to require Franchisee to remit fees and other amounts due to us hereunder via electronic funds transfer or other similar means utilizing our approved computer system or otherwise. If we notify Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by us and/or perform such acts and deliver and execute such documents including authorization, in the form attached to this Agreement as Schedule 1 "Authorization Agreement for Prearranged Payments" for direct debits from Franchisees' business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure, Franchisee shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest and related processing fees charged due thereon. Franchisee shall make funds available to us for withdrawal by electronic transfer no later than the due date for these payments. If Franchisee has not timely reported its Gross Revenue to us (as defined in Section

X.A) for any reporting period, then we shall be authorized, at our option, to debit Franchisee's account in an amount equal to (a) the fees transferred from Franchisee's account for the last reporting period for which a report of the Business's Gross Revenue was provided to us as required hereunder or (b) the amount due based on information retrieved from our approved POS or computer system (whichever is greater).

E. Loyalty Program Software Fees

Franchisee will be required to use specific third party loyalty program software for the operation of its Business. The loyalty program software is specific to the food industry that: manages Franchisee's incentive-based programs, all customer information and tracks customer visits in addition to providing reporting functionality, and integrates well with Franchisee's point of sale system. The fee for the usage and support of this loyalty program software is currently forty five dollars (\$45) per month for up to five hundred (500) customer visits then increases in increments of thirty dollars (\$30) for every one thousand (1,000) customer visits thereafter with the fee capping off at one hundred five dollars (\$105) for one thousand five hundred (1,500) or more customer visits. Loyalty program software fees are paid to us, our affiliates or approved vendors.

It is Franchisee's responsibility to install, maintain and upgrade any hardware necessary to operate the loyalty program software at its own expense. The use of the loyalty program software as described above, may require Franchisee to sign a third-party license agreement. Franchisee will have sole authority and control over the use of such software, day-to-day operations of the Business and its employees. At no time, will Franchisee's employees be deemed to be employees of ours. Franchisee acknowledges that loyalty program software fees may be changed in response to any increase in the United States Consumer price Index; if we, our vendors or the manufacturers of such technology and/or software make more functionality and/or features available; or if we or our vendors believe that conditions in the overall economy or in the market for such software functionality warrant any change in fees. We, at our sole discretion, may change such loyalty program software requirements (including programs, codes and/or vendors) at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes; however Franchisee recognizes that we have no control if our approved vendors or manufacturers of such software increase the monthly fees as outlined above. Franchisee acknowledges that Franchisee must comply with such changes in software requirements at its own expense. If Franchisee fails to use our approved loyalty program software as described above and/or fails to comply with the loyalty program software fee requirements as stated above, such failure will be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as described in Section XXIII.C of this Agreement.

F. Laundry Service Fee

Franchisee is required to use a professional laundry service that is scheduled to clean Franchisee's aprons, towels, and mats on a weekly basis. It is Franchisee's responsibility to find and hire a professional laundry service that meets our standards. We will provide Franchisee with a written list of cleaning standards and recommended procedures to follow when hiring a laundry service during the initial training program. The cost for such laundry services currently ranges from one hundred twenty to one hundred forty dollars (\$120-\$140) per month and is payable to our approved vendors or third parties. We may, at our sole discretion, change such professional laundry service requirements at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes; however, Franchisee recognizes that we have no control over whether such laundry service providers increase the monthly laundry fees as outlined above. Franchisee acknowledges that Franchisee must comply with such changes in laundry service requirements at its own expense. If Franchisee fails to comply with our new laundry service requirements within the timeframe stated above, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

G. Music Subscription Fee

Franchisee is required to purchase a commercial fee music subscription from our approved vendors for the operation of its Business. Such music subscription allows Franchisee the ability to have streaming commercial free music in the Business. Music subscription fees range from thirty dollars to forty-five dollars (\$30-\$45) per month which includes any required music licenses Franchisee needs and is payable to our approved vendors. Music subscription fees are non-refundable. It is Franchisee's responsibility to install and upgrade any equipment and software required for such music subscriptions for its Business. We, at our sole discretion, may change such music subscription requirements at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes, however Franchisee recognizes that we have no control if our approved vendors increase the monthly fees as outlined above. Franchisee acknowledges that Franchisee must comply with such changes in music subscription requirements at its own expense. If Franchisee fails to comply with our music subscription requirements within the timeframe stated above, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

H. Inspection Fee

To maintain the highest degree of quality and service, we reserve the right to charge Franchisee a two-thousand-dollar (\$2,000) inspection fee if we or our affiliates inspect the Business and it does not pass the inspection for a second time in any two (2) year period. We may, at our sole discretion, change such inspection fees at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. Franchisee acknowledges that Franchisee must comply with such changes in inspection fee requirements at its own expense. The foregoing shall be in addition to any other remedies we may have pursuant to this Agreement.

I. Web Page Edits, Updates, Changes and Promotion Fee

We, our affiliates and/or approved vendors will perform all web page changes, updates, content revision and perform all website promotions over the Internet for Franchisee. Franchisee will pay a rate of sixty-five dollars to one hundred twenty-five dollars (\$65-\$125) per hour (or current fair market rates) to us, our affiliates or approved vendors for such services. Any requests for changes, edits or updates to Franchisee's web page or any type of website promotion over the Internet must be approved by us in writing and the work is to be performed by either us, our affiliates or approved vendors. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request by email or any other form of written communication. We may change such web page maintenance, update and promotion requirements, at our sole discretion, and Franchisee shall have ninety (90) days after receipt of our written notice within which to adhere to the new web page maintenance, update and promotion requirements at Franchisee's expense, without any liability to us. If Franchisee fails to comply with our web page maintenance, update and promotion requirements within the timeframe mentioned above, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

J. Product, Vendor and Equipment Assessment Fee

Franchisee must obtain our written approval for such products, vendors or suppliers and any type of equipment Franchisee wishes to offer or use in its Business (as described in Section XII.I of this Agreement). Franchisee will pay an assessment fee for our approval of any product, vendor, supplier, or any piece of equipment (to the extent not then on our list of approved products, vendors, suppliers, or kitchen equipment), which may also require third party testing. The assessment fee is one hundred dollars (\$100) for a single product and/or vendor or supplier that Franchisee wishes to offer, use and/or substitute in its Business. The fee for any type of equipment testing is a minimum of three hundred dollars (\$300)

per piece or the actual cost incurred by us. We may waive these fees if the products, vendors, suppliers and/or pieces of equipment that the Franchisee selects meet our requirements and make it on our approved list of products, vendors or suppliers and equipment for all franchise locations.

XI. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. We do not finance or guarantee the obligations of the Franchisee for a Cupcake Heaven® Business. The Initial Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section IX.A of this Agreement.

XII. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of our System and adherence to our Operations Manual (the “Operations Manual” or “Manual”) and compliance with our standardized design and specifications for décor, signage and uniformity of the Business are essential to the image and goodwill thereof. The Manual contains mandatory and suggested specifications for the Business, standards and operating procedures and further define Franchisee’s obligations under this Agreement. We may change or add to the Manual to reflect changes in our image, specifications and procedures and methods of operation and will lend Franchisee copies of any changes or additions. Franchisee shall cooperate and assist us with any type of marketing research program, which we may institute from time to time. Franchisee’s cooperation and assistance shall include, but not be limited to, test marketing new Products or Services, purchasing a reasonable quantity of equipment or products to be tested, providing communication with us regarding such testing programs, the distribution, display and collection of surveys, comment cards, questionnaires, evaluations, and similar items.

B. Operate Franchised Business Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by us for the operation of the Business and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Business other than that authorized pursuant to this Agreement, without our prior written approval. Neither Franchisee, nor any of its employees, may conduct any activity at the Business or in connection therewith which is illegal, or which could result in damage to our Names and/or Marks or our reputation and goodwill. Franchisee will not allow the Franchised Business to be used for any immoral, unethical, unauthorized, or illegal purpose.

Franchisee must conduct all business through its Business unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and if Franchisee is converting their existing business into a Cupcake Heaven® Business then Franchisee agrees to deliver to us, along with a signed copy of this Agreement, the Schedule 2 “Pre-Existing Businesses” attached to this Agreement.

C. Comply with Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, workers’ compensation and unemployment laws, zoning laws, fire codes, building construction (including zoning classifications and clearances) and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates, and comply with all laws and regulations relating to occupational hazards and health such as Occupational Safety and Health Administration (“OSHA”), or that may be required for full and proper operation of the Business franchised under this Agreement in Franchisee’s state of operation. In addition,

there is the federal Clean Air Act and various state laws that impose air quality standards. These standards include limits on emission of ozone, carbon monoxide and other gases and/or particulate matter including emissions from commercial food preparation. Franchisee agrees to keep itself and its employees informed of, and to comply with all laws and regulations including all rulings issued by the U.S. Food and Drug Administration (“FDA”) and any other applicable state and local health agency. Franchisee must adhere to safe food handling practices, food testing laws and regulations that are in force or as they become applicable. Franchisee acknowledges that federal, state, or local authorities may adopt laws and regulations affecting the content or make-up of food served in businesses and requiring that food being served in businesses are tested for gluten and other contents and other testing and also disclosure laws. In addition to complying with all laws, Franchisee is required to ensure that Franchisee, its Owners, and managers have successfully obtained a food handler’s supervisor certification and complete a supervisor harassment training program in their home state and must ensure each person maintains such certification, regardless of whether this is required by Franchisee’s state (as further described in Section XII.F of this Agreement). Our standards may exceed the requirements of said laws and regulations. In addition, Franchisee must maintain an above average rating or score for all health department inspections and failure to do so may result in termination as described in Section XXIII.C.

In addition, with respect to all credit card transactions and customer information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card users. Franchisee must be at all times in compliance with the Payment Card Industry Data Security Standards (“PCI Compliant”). Franchisee also agrees to forward to us copies of any and all notices, inspection reports or other communication from any governmental entity with respect to the conduct of a Cupcake Heaven® Business that indicates the Franchisee’s failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule, or regulation, within five (5) days of the Franchisee’s receipt thereof. Franchisee agrees to indemnify us under Section XVIII of this Agreement, which includes any claims arising out of Franchisee’s failure to perform its obligations as described above.

It is Franchisee’s sole responsibility and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of a Cupcake Heaven® Business. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of its Business and must at all times operate the Business in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to fictitious name registrations, sales tax permits, fire clearances, safety, truth in advertising, occupational hazards, indoor air quality, health, laws relating to non-discrimination in hiring and accessibility, worker’s compensation and unemployment insurance). In addition, Franchisee must comply with consumer protection laws and regulations concerning food preparation, handling and storage, “Truth in Menu” concerning menu item names, product content, labeling and nutritional claims. We make no representations or assurances as to what inspections, licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee’s area in connection with its Business. It is Franchisee’s sole responsibility to identify and obtain all licenses, permits, certifications and authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee agrees to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Franchise Business as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledges and agrees that Franchisee’s indemnification responsibilities as provided in Section XVIII pertain to

Franchisee's obligations hereunder. Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 3 "Executive Order 13224 and Related Certifications."

A Cupcake Heaven® business shall be designed, constructed, and operated in compliance with all local, state, and federal laws, including (without limitation) the American with Disabilities Act ("ADA"). Even though we may have designed the Business space, Franchisee is responsible for compliance with all applicable federal, State, and local laws and regulations concerning access by people with disabilities. We must first approve any required modifications to the Business which are Franchisee's sole responsibility and expense. Franchisee agrees to execute and deliver to us Schedule 4 in the form attached to this Agreement before Franchisee opens the Business and which forms requires the Franchisee to confirm and certify that the Business and any proposed renovations comply with the ADA requirements.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee, nor any of its Owners if you are an Entity, or its officers, directors, agents, employees, or independent contractors, except as required in the performance of the duties contemplated by this Agreement, may disclose, or use at any time, whether during the term of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to our confidential matters and trade secrets such as our: strategies for site acquisition, build-out, color scheme, layout, design and décor specifications; distinctive Products including unique cupcake flavors and cupcake creations using our proprietary recipes and batters; Product preparation and presentation standards, cooking techniques, methods, procedures including food storage standards; Services and strategies for executing Services; specifications for all products, supplies and kitchen equipment; purchasing strategies, inventory management systems, vendors and supplier relationships, cost and pricing strategies, procedures for cleanliness, safety, sanitation and quality control; operational procedures and Operations Manual, our proprietary treat programs, service standards, methods and techniques; employee hiring, training and retention guidelines; photographs of food and beverage items, video presentations, sales, advertising, social media, marketing, promotional, strategies and materials; proprietary customer acquisition, loyalty and retention programs; website, third-party software, forms, contracts, record keeping, reporting procedures and accounting methods, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about our Products or Services, including information relating to discoveries, ideas, production, purchasing, accounting, engineering, website development and design, marketing and selling of our Products and Services (collectively referred to as "Confidential Information" and further defined in Section XVI.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how," Products, Services, kitchen equipment, proprietary recipes and batters, specific Product preparation methods, techniques, procedures, presentation standards and methods of service developed by us and licensed to Franchisee for the operation of a Cupcake Heaven® Business are particular to the bakery industry conducted by a Cupcake Heaven® Business. Franchisee agrees to take all steps necessary, at Franchisee's expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees, agents, and independent contractors, either during the term or after the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner our ownership rights to any or all of the above Confidential Information.

E. Maintain and Renovate the Business

Franchisee shall at all times maintain the Business in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall make, at Franchisee's expense, all additions, repairs, replacements improvements and alterations that may be determined by us to be necessary so that the facilities will conform to the uniform corporate image, as may be prescribed by us from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations to its facilities within the timeframe and under the terms and conditions, which we may reasonably specify.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Business or its kitchen equipment, fixtures, furnishings and signage does not meet our standards, Franchisee expressly agrees that we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives notice from us, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the premises of the Business and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

Franchisee shall maintain and renovate the Business at its expense, to conform to our design, trade dress, color schemes and presentation of trademarks and service marks consistent with our designated image, including, without limitation, remodeling, redecoration, and modifications to existing improvements.

F. Maintain Competent Staff

We will create and make available to Franchisee and its Owners (if Franchisee is an Entity), training programs and other selected training materials, as we deem appropriate. Franchisee must staff a position to have day-to-day supervision for the operation and management of the Business (referred to as "General Manager"). The identity of the General Manager must at all times be disclosed to us. Franchisee's Business must be personally managed on a full-time basis by a General Manager who has successfully completed our mandatory training and meets our then-current standards. The General Manager may, but need not, be Franchisee or one of the Owners of the Business; however, this does not relieve Franchisee of its responsibilities to oversee the kitchen and general operation of its Business. Franchisee's General Manager must be readily and continuously available to us. Franchisee will keep us advised, in writing, of all management personnel involved in the operation of the Business. Upon termination of its General Manager, Franchisee must appoint a successor within sixty (60) days and have such replacement General Manager (who we may disapprove in our sole and absolute discretion) trained by Franchisee within thirty (30) days of his/her employment in accordance with our standards (as outlined in the Operations Manual) at Franchisee's expense. Franchisee's replacement General Manager may attend our training program for a fee and subject to space availability. Currently the fee is two hundred dollars (\$200) per person per day as described in Section XX.A of this Agreement. Franchisee, its Owners and/or General Manager are responsible for all travel, room, board, and food. We have the right to require that Franchisee's General Manager be at the Business for any inspection we, our affiliates or third parties' conduct.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire and train bakers and other multi-positional employees for various positions and any administrative staff (referred to as "Employees") in an effort to make all Products, serve customers and provide Services according to our standards as outlined in the Operations Manual and Section XX.E of this Agreement. Franchisee must ensure that Franchisee, all of its Owners and General Manager have a valid food handler's supervisor certification in addition to completing a harassment training program and that such certifications are

renewed as applicable. A food handler's supervisor certification in food handling and safety in addition to harassment training is necessary for the operation of a Cupcake Heaven® Business. Such courses can be taken in a classroom setting or in some states can be completed over the Internet. Franchisee is also solely responsible for Employee's terms of employment, compensation, and the proper training in the operation of a Cupcake Heaven® Business. As Franchisee hires a General Manager and Employees, Franchisee can negotiate any rate for such services that is consistent with applicable federal and state laws and regulations. Franchisee is solely responsible for all employment decisions and functions, including hiring, firing, establishing wage and hour requirements, training, disciplining, supervising, performance, and record keeping. Franchisee acknowledges that at no time will Franchisee's Employees be deemed to be employed by us.

Franchisee must not use unethical or illegal tactics to recruit employees. Franchisee shall properly hire Employees per our guidelines and standards (subject to applicable employee protection laws) which may include carefully screening Employees by the use of background checks before employing them, to ascertain fitness for employment, subject to Franchisee's local and states laws. Specifically, Franchisee is strongly encouraged to use its best efforts, including taking every action required by applicable laws especially related to criminal background checks of persons working in the Business, to ensure that no person is employed who has a record of theft, child molestation or abuse, immoral conduct, drug, alcohol or substance abuse; criminal behavior or any other pattern of conduct which might jeopardize the welfare of the customers or reflect adversely on our reputation or the System (if Franchisee chooses to perform background checks). Franchisee will indemnify us (as described in Section XVIII) for all claims arising out of or relating to Franchisee's Employees and Franchisee's hiring, firing and discipline decisions regarding employees including payment of wages, overtime, and any applicable benefits, as well as failure of Franchisee to utilize background checks on any potential employee.

Franchisee will require its Employees to wear uniform dress bearing one or more of the Marks while working at the Business and shall be of such design and color as we may prescribe from time to time, as set forth in the Operations Manual.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Business.

G. Open Business within Time Limit

Time is of the essence. Franchisee must secure a lease within ninety (90) days of the execution of this Franchise Agreement and open the Business for operation within one hundred eighty (180) days of the date of execution of this Franchise Agreement that includes having obtained our approval prior to opening, subject to Section IX.B of this Agreement. Prior to opening, Franchisee shall complete, to our satisfaction, all the build-out and preparations of the Business, in accordance with specifications set forth in the Operations Manual and as required by local governmental agencies, including installation of all kitchen equipment, furnishings, fixtures and signage; acquire all technology items (such as: computers or laptops, POS system, sound system, phone system, etc.), uniforms and an inventory of products and supplies; complete our initial training program, and provision to us of all required local information, artwork and photos for the completion of the Franchisee's web page.

H. Operate Business in Strict Conformity to Requirements

Franchisee must prepare and sell all Products, offer approved Services, serve customers and operate the Business in strict conformity with such standards, techniques, and operational procedures as we may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without our prior written consent. Franchisee also agrees to purchase all kitchen equipment (as defined in Section XII.I) and technology items (such as: computers or laptops, POS system, sound system, phone

system, etc.) and to operate, service, repair, maintain and clean all such items according to our standards as outlined in the Operations Manual. Franchisee must keep all kitchen equipment and technology items in clean and good working order at all times and purchase only approved parts to repair its kitchen equipment and technology items from our approved vendors and suppliers. All maintenance to the kitchen equipment and technology items that cannot be completed by Franchisee must be performed by our approved vendors. Unless otherwise agreed by us in writing, in no event shall Franchisee use any piece of kitchen equipment or technology item that is more than ten (10) years old. Franchisee agrees to replace all kitchen equipment and technology items at Franchisee's expense as such items (i) become obsolete or inoperable; or (ii) if, in our sole discretion, replacement is necessary because of new functionality, change in software, change in methods of service or because of health or safety considerations. Franchisee has ninety (90) days after Franchisee receives written notice from us to either remove or replace such kitchen equipment or technology item. Failure of Franchisee to remove, replace and/or maintain its kitchen equipment and/or technology items as described above may result in termination as described in Section XXIII.C of this Agreement.

Franchisee is required to use, sell and offer only approved Products and Services which meet our standards of quality and which we have approved in writing to be offered in connection with the Business. Products that Franchisee is authorized to use are described in Section XII.I of this Agreement. Due to the nature of our business model, all Products must be prepared at Franchisee's Accepted Location and all Services performed within its Territory or the parameters of its Non-Traditional Location. All Services must be performed from the Accepted Location and must be executed according to our standards within the Franchisee's Territory or within the parameters of its Non-Traditional Location, unless otherwise approved by us in writing (as described in Section VI). Franchisee is not permitted to sell Products, offer or promote Services (other than through third-party mobile app platforms) through any alternative channels of distribution whether known or hereinafter invented. If authorized by us, all Products sold through an alternative channel of distribution must be prepared and sold only from Franchisee's Accepted Location or prepared and sold from the parameters of Franchisee's Non-Traditional Location. Any attempt by Franchisee to (i) prepare Products at any other location or perform Services from any other location other than the Accepted Location as identified in Section VI of this Agreement; or (ii) sell Products not approved by us through any alternative channels of distribution, other than Products through third-party mobile app platforms, will result in termination of this Agreement as specified in Section XXIII.C.

Prior to opening the Business for operation, Franchisee must adequately supply its Business with an assortment of kitchen equipment, products, and supplies (as described in Section XII.I) and use such items in accordance with our specifications. Franchisee is required to offer the programs we specify (such as our proprietary rewards programs referred to as "Loyalty Programs") that we have and may establish in the future and abide by the policies for such programs as developed by us. The term "Loyalty Programs" are repetitive use programs for customers that provide incentives for number of visits or incentives after so many points are acquired relative to dollars spent and also geared towards building brand awareness. Franchisee agrees to discontinue offering any Products, Services, and programs which we may, in our sole discretion, disapprove in writing at any time. There are no limits on our right to change, modify or discontinue any Product, Service or program Franchisee is authorized to offer in its Business. We will provide Franchisee with a written list of Products, Services, programs, and other promotional programs Franchisee is required to offer during the initial training program. Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of a particular Product, Service, or program; nor shall any provision herein imply or establish an obligation on our part to reinstate any Product, Service or programs discontinued by us or for any liability to Franchisee for any loss of revenue incurred by Franchisee as a result of our decision to discontinue a particular Product, Service, or program. We will provide Franchisee with ninety (90) days' written notice to implement such Product, Service or program changes and Franchisee agrees to immediately comply with such changes at its own expense. We may periodically meet with a representative group of franchisees and solicit their input prior to discontinuing any Product, Service, or programs. Franchisee agrees to prepare and offer such Products and

Services in the manner and style we specify, which may, from time to time, be amended or modified in writing (email or any other form of written communication), designated and approved by us. Franchisee must prepare all Products from its Accepted Location in accordance with our recipes, preparation standards, methods, techniques, processes and presentation standards; and follow our service standards and methods as designated by us which may, in our sole discretion, change from time to time. Upon our written approval, Franchisee has the flexibility to add any Product that is specific to its geographic area as long as the Product complies with our standards as specified in the Operations Manual. We will respond to Franchisee's request to implement a Product within thirty (30) days from the date the request is received, and we will respond by email or any other form of written communication. We have the right to require, as a condition of our approval and review, that Franchisee submit to us all materials and supporting documentation describing such Product that Franchisee wishes to offer in its Business. Franchisee shall pay the cost of such investigation for approval (if applicable) and we shall not be liable for denying Franchisee's request. We may revoke our approval in our sole discretion where such Product no longer adheres to our standards as specified in the Operations Manual. Franchisee acknowledges that all Product preparation, recipes, techniques, processes and presentation, service standards and methods are integral to the System and failure to adhere to such Product preparation, recipes, techniques and processes, service standards and methods are detrimental to the System. Franchisee must not deviate from our required procedures for preparing food, recipes, techniques, processes, presentation, service standards and methods; or use non-conforming items or differing amounts of any items without first obtaining our written request. Failure of Franchisee to (i) use, sell, offer, change, modify or discontinue any Product, Service, or program; (ii) adhere to our Product preparation standards, recipes, techniques, processes, and presentation standards; and/or (iii) adhere to serving customers according to our service standards and methods as outlined above will result in termination of this Agreement as specified in Section XXIII.C.

Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures, and rules in effect which may change from time to time relating to: safety, maintenance, cleanliness, sanitation, usage of software, performing Services, usage of professional laundry providers, commercial free music subscriptions, function and appearance of the Business and its kitchen equipment, technology items, décor, and signage. Nothing in this Agreement shall be construed to imply or establish an obligation on our part to incur any liability to Franchisee for any loss of revenue incurred by Franchisee as a result of our decision to change, modify or discontinue our specifications, standards, operating procedures. Franchisee agrees that we have the right, in our sole discretion, to change, modify, add, or discontinue any such specifications, standards and operating procedures. We will provide Franchisee with ninety (90) days' written notice to implement such specifications, standards and operating procedure changes and Franchisee agrees to immediately comply with such changes at its own expense. Failure of Franchisee to adhere to our: requirements for performing Services (as described above), specifications, standards, and operating procedure requirements, as described above, may result in termination as described in Section XXIII.C of this Agreement.

Franchisee must accept credit cards and debit cards and other types of payments as specified by us, which may change from time to time. Franchisee shall also offer for sale, and will honor any incentive, coupon or gift cards or Loyalty Programs (as described above), which we may institute from time to time, and Franchisee shall do so in compliance with our standards and procedures for such programs to the extent permitted by the laws of the Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs is required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

Franchisee must respond promptly to all inquiries and complaints in order to achieve customer satisfaction as specified in the Operations Manual. If Franchisee does not provide customers with satisfactory service and/or fails to resolve complaints at the time the complaint is registered or if Franchisee violates operating standards or this Agreement, we may, in addition to our other remedies, complete the

services and bill the Franchisee for such services. Franchisee shall reimburse us for any expense incurred. In addition, there may be other System oriented programs designed to promote to the public the quality care and service that we may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current specials or promotions as may be developed by us and as may be modified periodically by us, in our sole discretion.

We may institute various programs designed to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, customer comment cards, secret shoppers or otherwise. We will share results of such programs as they pertain to Franchisee's Business, with Franchisee and Franchisee will reimburse us for all costs associated with any and all such programs in the event that Franchisee is not in compliance with this Agreement and the System.

Franchisee recognizes that one of our primary methods of communication with franchisees is through email, newsletters and/or memos we may periodically publish and an intranet system we may provide to franchisees on our website. Franchisee is responsible for knowing all the information contained in the emails, newsletters, memos, and the intranet system and complying with any standards and specifications provided within them. We may establish and change the specifications, standards and/or procedures for the operation of the Business through our emails, newsletters, memos, and intranet system. If we establish an intranet system, we will have no obligation to maintain the intranet system indefinitely and may dismantle it at any time without notice and without liability to Franchisee and the following will apply:

- (1) We will establish policies and procedures for use of the intranet system. These policies, procedures and other terms of use may address issues such as (i) restrictions on the use of abusive, slanderous, libelous, or otherwise offensive language in electronic communications; (ii) restrictions on communications between or among franchisees that endorse or encourage breach of any agreement with us; (iii) confidentiality of materials that we transmit; (iv) password protocols and other security procedures; (v) grounds for suspending, or revoking Franchisee's access to the intranet system; and (vi) a privacy policy governing our access to and use of electronic communications that franchisees submit on the intranet system. Franchisee acknowledges that as administrator of the intranet system, we can access and view any communication that anyone posts on the intranet system. Franchisee further acknowledges that the intranet system and all communications that are posted to it will become our property, free of any claims of privacy or privilege that Franchisee or any other person may assert.
- (2) Upon receipt of notice from us that the intranet system has become operational, Franchisee agrees to purchase and install all necessary additions to their computers and to establish and continually maintain electronic connection with the intranet system that allows us to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connectivity with the intranet system will continue until expiration or termination of this Agreement.
- (3) We may use part of the System Advertising Fund that we collect under this Agreement to develop, maintain, and further develop the intranet system.

We may require Franchisee to join and participate in various industry specific local or national associations. Such associations may include but are not limited to: the local Chamber of Commerce and Better Business Bureau. These associations may be deemed invaluable and necessary for the continued growth of the Business. Franchisee's full and complete participation in such programs and associations are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense, including membership fees and related costs.

In the marketing and operation of Franchisee's Business, Franchisee will use each of, and only, the contracts, waivers and/or other forms and/or materials as are designated by us periodically. However, Franchisee may stay subject to the landlord's lease as it may apply to the items in the prior sentence, as long as the lease contains all of the terms and conditions required by this Agreement; the lease is adjusted to accommodate this Agreement (ideally the lease is coterminous with this Agreement but not required); and Franchisee may execute its lender's standard promissory note, personal guaranty and security agreement provided that the terms and conditions of any promissory note, personal guaranty and security agreement do not affect or impair this Agreement, or any of our rights or remedies under this Agreement. If Franchisee has two or more Owners or it is an Entity, then Franchisee must submit a copy of its Operating Agreement, Partnership Agreement, or Shareholders Agreement and bylaws, as applicable for our review prior to execution as specified in Section XII.R of this Agreement.

All advertising, promotions, and public relations by Franchisee in any medium shall be conducted in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual. Franchisee shall have the right to sell Products and offer Services at any prices or rates Franchisee may determine, except that we reserve the right to establish minimum and maximum prices for any given Product or Service system wide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that we have the right, in our sole discretion, to establish minimum and maximum prices for any Product or rates for any Service system wide, temporarily (for a limited period of time), in specific geographic areas or in conjunction with any promotional and/or marketing program so long as such decisions are made with the honest belief that the measure we are adopting will help everyone in the System meet competition and succeed in the marketplace. Franchisee is prohibited from heavily discounting Products and Services offered for sale and must adhere to our minimum and maximum pricing guidelines, except as otherwise provided by applicable federal or state laws. If Franchisee elects to sell or offer any Product or Service at any price or rate recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Products or Services at the recommended price or rate will enhance Franchisee's revenues, sales, or profits. Franchisee shall participate in and comply with all sales, promotional programs, marketing programs and/or product promotions promulgated by us periodically.

I. Use Approved Products, Supplies, Kitchen Equipment, Vendors and Suppliers

Franchisee acknowledges that we have spent considerable time in developing the Products, Services, standards, processes, methods, and technology used in the operation of a Cupcake Heaven® Business. Accordingly, Franchisee acknowledges that Franchisee is to use only approved products, supplies, kitchen equipment, vendors, suppliers and services that include, but are not limited to: ingredients (such as: our proprietary dry ingredients and flavorings, cocoa, sugar, spices, mixes, dairy products, cooking oils, jams, sauces, etc.), coffee beans, a variety of non-alcoholic beverages (such as coffees, teas, milk, juices, lemonade and blended smoothies), supplies (such as: paper goods, packaging materials, disposables and cooking supplies), miscellaneous retail items (such as: logoed shirts, hats and mugs), kitchen equipment (such as: commercial ovens, commercial grade refrigerators, commercial grade freezers, commercial mixers, microwave, coffee makers, coffee grinders, etc.), furnishings and fixtures, technology items (such as: computers or laptops, POS system, sound system, phone system, etc.), software, signage, uniforms, merchant services, loyalty program software services, music service providers, laundry service providers and printed advertising materials necessary for the operation of the Business. Franchisee may be required to comply with our procedures for submitting orders for products and supplies, as we may periodically adopt. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. If we require Franchisee to buy products, supplies or kitchen equipment from us or our affiliate, the price and quality will be comparable to similar products, supplies and kitchen equipment from other sources. We may take a portion of that income to spend on advertising or place it in a separate franchise advertising account. If we require Franchisee to buy products, supplies, kitchen equipment or services from a vendor that pays such allowances, we may spend all such fees on related advertising or may place them in the advertising account

Fund as described in Section X.B of this Agreement. If we don't require the purchase, we need not place such fees in a separate account or use them on advertising. Franchisee agrees that we may periodically and upon written notice, add to, modify, or change such approved products, supplies, kitchen equipment, vendors and suppliers and there is no limit on our right to do so. Franchisee promises to promptly accept and implement, in the operation of the Business, all such additions, modifications and changes at Franchisee's expense. In addition, Franchisee acknowledges that:

1. We have spent considerable time designing the decoration and outfitting of a Cupcake Heaven® business with kitchen equipment, furnishings, fixtures, décor items and signage. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual and under Section XII.T of this Agreement.
2. To ensure the consistent high quality and uniformity of Products and Services provided by Cupcake Heaven® Franchised Businesses, Franchisee must lease or purchase products, supplies, kitchen equipment and services (as described above) for use in the operation of a Cupcake Heaven® Business, from us, our affiliates or approved vendors who demonstrate to our continuing satisfaction an ability to meet our standards and specifications. We are not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if we, our affiliates, or approved vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of products, supplies or kitchen equipment where such items are out-of-stock or discontinued. Franchisee is prohibited from purchasing or leasing products, supplies, kitchen equipment and services from unapproved vendors and/or suppliers who are not on our approved list without our written approval. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. We will make such approval or disapproval by e-mail or any other form of written communication. Failure of Franchisee to purchase such items from us, our affiliates, or approved vendors and/or suppliers and use such approved items in the operation of its Business may result in termination of this Agreement as specified in Section XXIII.C of this Agreement.
3. In approving any vendor or supplier we may consider factors such as: price, quality, composition, performance, accuracy of product claims, durability, safety, technical specifications, frequency of delivery, design, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, litigation against the supplier, reputation of supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. All vendors and suppliers must be approved in writing by us and may be disapproved by us anytime thereafter. If Franchisee desires to finance or purchase unapproved equipment, products, supplies or services from unapproved vendors, Franchisee shall submit to us a written request for such approval. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by email or any other form of written communication. We shall have the right to require, as a condition of our approval and review, that our representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to us or our designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier and we shall not be liable for damage to or for the return of any sample and Franchisee may be responsible for the product, vendor and equipment assessment fee as described in Section X.J of this Agreement. We reserve the right, at any time, to re-inspect the facilities and to retest the product or kitchen equipment of any approved vendor and to revoke any approval if the vendor fails to continue to meet our high standards.

4. Franchisee will not make any claims against us or our affiliates with respect to any vendor and/or related supplier for products, supplies, kitchen equipment (as described above) or any other related products or supplies necessary for the operation of the Business (and/or our designation of, or our relationship with, any vendor/supplier/products). WE MAKE NO WARRANTIES REGARDING ANY VENDOR EQUIPMENT, PRODUCTS OR SUPPLIES AND HEREBY DISCLAIM THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. WE MAKE NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR FREE OF WORMS. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Franchisee must make any claim with respect to any vendor-related and/or similar matters only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. We will use diligent efforts to assist Franchisee in resolving any disputes with vendors approved and/or designated by us.
5. Franchisee may be required to use and offer for sale any and all privately labeled and branded merchandise or Proprietary Products developed by us, which will be listed in the Operations Manual (currently not in effect). The term “Proprietary Products” is defined as all products, supplies, kitchen equipment, retail items or other merchandise for sale and marketing materials all of which are branded with our Marks and all of which must be purchased by the Franchisee directly from us or our approved vendors, unless the Franchisee has submitted and received written approval from us to use an alternate supplier. Currently we do not have Proprietary Products that Franchisee is required to use or offer for sale in its Business. Failure of Franchisee to use and/or offer for sale Proprietary Products (if developed) will result in termination of this Agreement as specified in Section XXIII.C of this Agreement.
6. Franchisee acknowledges that we do not now but may in the future require Franchisee to maintain in inventory a minimum representation of kitchen equipment, products, and Proprietary Products in its Business. “Minimum Representation” shall be defined as the continuous maintenance of an amount of kitchen equipment, products and/or Proprietary Products meeting requirements as defined in the Operations Manual. Franchisee shall at all times comply with our Minimum Representation requirements, if any, and the terms of any auto-ship requirements (currently we do not have any auto-ship requirements, however we do require that Franchisee purchase updates for all advertising, promotional and marketing materials and miscellaneous forms when designated as mandatory by us and as specified in the Operations Manual). However, if a particular Product does not sell well in Franchisee’s Business, Franchisee may request that a specific Product be removed from the required Minimum Representation list. We shall approve or deny Franchisee’s request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee’s written request. We shall make such approval or disapproval by email or any other form of written communication.
7. Franchisee shall not make any changes to any Product, Proprietary Products or any third-party products or kitchen equipment including modifying kitchen equipment, changing the containers, packaging, labeling, promotional materials, advertising, cartons, or the like without our or the manufacturer’s prior written approval, which may be withheld in the sole discretion of us or the manufacturer. Failure to adhere to these guidelines will result in termination of this Agreement as specified in Section XXIII.C of this Agreement.

8. Franchisee may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights to distribute products, supplies, kitchen equipment and/or Proprietary Products or third-party products inside or outside the structure or adjacent structures where the Accepted Location is located without our written consent. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of our receipt of Franchisee's written request. Failure to adhere to these guidelines will result in termination of this Agreement as specified in Section XXIII.C of this Agreement.
9. Franchisee shall not manufacture or produce any piece of equipment or any product that is similar to, or competes with any of our Products, Proprietary Products or third-party product or kitchen equipment, or in any channel of distribution selling similar products or kitchen equipment without our advanced written consent or the consent of the manufacturer, which may be granted or denied in our or the manufacturer's sole discretion. Violation of this shall be grounds for immediate termination as specified in Section XXIII.C of this Agreement.
10. Franchisee must inspect all kitchen equipment and products promptly upon receipt and may reject any kitchen equipment or product that fails in any material respect to conform to manufacturer's description (if applicable). Any kitchen equipment or product that has not been rejected will be considered accepted. Rejected kitchen equipment or products must be returned to the manufacturer within three (3) business days of the date on which manufacturer authorizes the return or as manufacturer specifies.
11. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that we have already and at our sole option, we may continue to establish additional strategic alliances or preferred vendor programs with national or regionally-known suppliers who are willing to supply all or some Cupcake Heaven® businesses with some or all of the products, supplies, kitchen equipment (as defined above) and/or other products or services that we require for use and/or sale in the development and/or operation of the Business. In this event, we may limit the number of approved vendors with whom Franchisee may deal, designate sources that Franchisee must use for some or all of the above items and/or refuse any of Franchisee's requests to approve vendors or suppliers if we believe that this action is in the best interests of the System. We shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to sell such items to franchisees.
12. Franchisee agrees to purchase, use, maintain and update at Franchisee's expense all technology items and software meeting our specifications, as we may modify them. Franchisee will be required to purchase such items from us, our affiliates or approved vendors. We reserve the right to have independent access to all information that Franchisee stores in any POS system, computer, tablet, or software related to the Business. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements regarding such items and software, including Internet usage. Supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems are the Franchisee's responsibility.
13. We cannot estimate the future costs of the technology items (as described above) or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining such items (including any additions and modifications) and required networking and technology support services. We have no obligation to reimburse Franchisee for any technology item, software, networking, or technology support costs. Within ninety (90) days after Franchisee receives notice from us, Franchisee agrees to obtain the technology item components and software that

we designate and to ensure that Franchisee's technology items and software as modified, are functioning properly.

14. Franchisee may be required to use our proprietary software for the operation of the Business (currently not in effect). If we develop proprietary software and require Franchisee to use such software, we will provide Franchisee with a ninety (90) day written notice to purchase (if applicable) and use such software for the operation of its Business. If developed, we will provide all update and upgrade requirements for the proprietary software, as necessary. The installation, maintenance, repairs, and upgrade costs for the proprietary software will be the responsibility of the Franchisee. Usage of any proprietary software ("Software"), if developed, will be subject to the following terms:
 - a. Franchisee will use our Software on a computer or POS system that: (i) meets our computer and POS system hardware specifications; and (ii) is located at Franchisee's Business or on a backup system if the original computer is inoperable. Franchisee will be licensed to use our Software only for Franchisee's internal, in-house data processing and data communications purposes and only in connection with the Business and not for re-marketing or redistribution under any circumstances;
 - b. Franchisee acknowledges and agrees that we (or any of our affiliates) will be the sole and exclusive owner of all right, title and interest in and to our Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish, or invalidate our ownership rights in our Software;
 - c. Franchisee will not modify the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops, and we will have the right to use such ideas and suggestions. We shall own all copyrights and other intellectual property rights to all modifications and suggestions proposed by Franchisee. The term "all copyrights and other intellectual property rights" shall mean all means, methods, and processes, by all media whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee agrees to execute all documents that we deem are necessary to assign all copyright and other intellectual property rights to us. All modifications or enhancements made to the Software will be our property and belong exclusively to us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;
 - d. We will have the right at all times to access Software and to retrieve, analyze and use all the data related to the Business in Franchisee's files stored on Franchisee's POS system, computers, tablets, or any other device. Additionally, Franchisee will electronically transfer all files and reports related to the Business to us on our request. All information related to the Business that Franchisee stores in any POS system, computer or tablet used in connection with the Business shall become our confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding our Confidential Information.

- e. Franchisee and Franchisee's employees will not make available the Software, or portions thereof, to any person other than Franchisee's or our employees without our prior written consent. Franchisee agrees that Franchisee will not: (i) copy the Software except as necessary for use in the Business; (ii) translate, reverse engineer, reverse compile, disassemble, modify, alter, or change, or create derivative works based on the Software; or (iii) sublicense, rent, lease, sell, convey, assign, or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to these guidelines or allowing unauthorized usage of the Software may result in termination of this Agreement as specified in Section XXIII.C of this Agreement;
- f. Franchisee acknowledges and agrees that the Software, if developed, will be our valuable, proprietary product, the design and development of which took the investment of considerable time, money, and effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that it will treat the Software as confidential and that the Software will contain substantial trade secrets of ours that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We hereby claim and reserve all rights and benefits afforded under copyright law, patent law, trade secret law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect the Software against improper use, dissemination, or disclosure;
- g. ANY SOFTWARE SHALL BE PROVIDED ON AN "AS-IS" BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ALL WARRANTIES AGAINST INFRINGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE MEET FRANCHISEE'S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES THAT THE SOFTWARE IS FREE FROM BUGS, VIRUSES, TROJAN HORSES, OR WORMS. WE MAKE NO WARRANTY REGARDING ANY OPEN-SOURCE SOFTWARE CONTAINED IN THE SOFTWARE. In no event will we be liable to you for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;
- h. Franchisee acknowledges and agrees that Franchisee's license to the Software will terminate immediately and automatically should Franchisee fail to adhere to any of Franchisee's obligations under this license or if this Agreement expires or is terminated for any reason;

- i. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would have no adequate remedy at law; and that, in addition to other remedies available to us, we will be entitled to seek injunctive relief against any such violation;
 - j. In the event Franchisee fails to adhere to any of Franchisee's obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise; and
 - k. Franchisee must update all POS systems, computers, and tablets upon our request to optimize performance of the Software.
15. Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither Franchisee nor any of its managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors or any other occurrences relating to any POS system, computer, tablet, computer hardware or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.
16. We may set standards or specifications for leases and real estate at our discretion. We have set standards and specifications for the construction and build-out of the Business; and kitchen equipment, furniture, fixtures, décor items and signage used, including our subjective determinations relating to quality, value, and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of any particular product or piece of kitchen equipment, nor shall any provision herein imply or establish an obligation on the part of us and our affiliates to sell kitchen equipment, products or supplies to Franchisee if Franchisee is in arrears on any payment to us, our affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of such items (if applicable), we or our affiliates shall not be obligated to sell such items to Franchisee.

J. Use Approved Design and Signage for the Business

In operating a Cupcake Heaven® Business, Franchisee must adhere to our required signage standards and specifications. Franchisee may use an approved supplier for all such signage or submit an alternate supplier to us for approval. Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of our Names and Marks. Franchisee shall be responsible for obtaining and equipping the Business with the signage as required and approved for use by us from time to time. The color, size, design, and location of said signage shall be as specified and/or approved by us. Franchisee shall not place additional signs, posters, or newspaper racks in addition to unapproved video, vending or gaming machines and/or other similar devices and décor items in the Business without our prior written consent.

K. Participation in the Operation of the Business

Franchisee acknowledges that a Cupcake Heaven® business involves hard work and long hours, similar to most bakeries that are owner operated. Franchisee acknowledges that we have not represented that this business is going to be easy for Franchisee (or any of its Owners) and agrees to participate in the day-to-day operation of the Business. Regardless of whether it is the Franchisee or one of its Owners who are involved in the day-to-day operation of the Business, Franchisee agrees that its Business must be at all times under the supervision of a General Manager approved by us. Franchisee agrees that the General Manager will oversee the general operation of the Business and supervise all Employees. The General Manager will also be responsible for providing continuing guidance, oversight, day-to-day management, enforcing all Product preparation and service standards and properly processing all paperwork, reports and complaints.

L. Advertising the Business

Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided that such advertising materials conform to our standards and requirements as set forth in our Operations Manual or otherwise designated by us. Such advertising may include but is not limited to: any telephone, email, Internet, domain name, electronic network, directory, and listings of the Business per our written approval. All items mentioned are our property and on termination will revert to us. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Franchise Business in connection with any other business, except with our prior written approval. Franchisee shall obtain our prior approval of all unapproved advertising and promotional plans and materials (including photographs and video presentations) that Franchisee desires to use thirty (30) days before the start and/or use of any such plans and/or materials. Franchisee shall submit such unapproved plans and materials to us (by personal delivery, electronically or through the mail). Franchisee shall not use such plans or materials until we approve that specific plan or material and shall promptly discontinue use of any advertising or promotional plans and materials upon our request. We shall approve or deny Franchisee's request by email or any other form of written communication, which approval is in our sole discretion within thirty (30) days of receipt of Franchisee's request. Any plans or materials submitted by Franchisee to us, which have not been approved or disapproved in writing, within such thirty (30) days period shall automatically be deemed not approved.

Franchisee will not independently advertise or promote in any media (including on any Website as defined in Section VI) without our prior written approval, except when using materials previously approved by us. We, our affiliates and/or approved vendors will perform all web page content revision and Franchisee is responsible for any costs related to such revisions. Any requests for changes, edits or updates to Franchisee's web page or any type of website promotion over the Internet must be approved by us in writing. We shall approve or deny Franchisee's request by e-mail or any other form of written communication, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Franchisee will participate in at its own expense and cooperate with all advertising and promotional programs we or any advertising group of franchisees selects, including any franchisee marketing council we may implement. Franchisee may be required to follow or maintain sales pricing for Products and Services. We will set minimum and maximum prices and suggest pricing to the extent allowed by law.

Franchisee, its Owners, and General Manager shall at all times use its best efforts to promote and increase recognition of the Products and Services offered by the Business pursuant to the System and Operations Manual, to effect the widest and best possible distribution of Products and Services from the Business and to devote its best efforts to growing the Franchise Business.

M. Maintain Business Hours

We require that Franchisee's Business is open for operation six days a week at minimum from 9am-6pm Monday through Saturday; except for holidays (as specified in the Operations Manual). The only exception to the above is if Franchisee is given written permission by us to operate at a lesser period; or if the hours of operation for the Business are required by the lease of the premises on which the Business is operated. Sundays are optional. It is required that Franchisee maintains a telephone answering system to take messages in addition to monitoring an email address for the Business and respond to concerns outside of regular business hours.

N. Maintain Uniform Operating Standards

Franchisee understands and acknowledges that every detail in the operation of the Business is important to the Franchisee, us and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Products and Services offered by the Business under the System, and to protect our Marks, reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing consumer demands. As a consequence, changes, modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, Products, Services, programs (such as our Loyalty Programs), kitchen equipment, signage, décor, operational methods (including Product preparation, recipes, techniques, processes and presentation), service standards and methods, employee hiring and training guidelines, retention programs, our website, advertising, sales and marketing strategies. Franchisee promises to promptly accept, implement, use and display in the operation of the Business, all such additions, modifications and changes at Franchisee's expense.

Franchisee agrees to maintain high standards of honesty, integrity, fair dealing, and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive, excessive, or illegal collection techniques or other activity; or sell any product which we determine to be harmful to the goodwill or to reflect unfavorably on the reputation of Franchisee or us, the Franchised Business, or the Products and approved Services sold or offered thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against Franchisee or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose, and marketing strategy of the System, and therefore any change therefrom would fundamentally change the nature of the business;

We will not require Franchisee to make any changes, modifications and/or variations to the System that are not required of all franchisees (unless such change, modification or variation relates only to certain franchisees due to one or more unique factors such as geographic location, local laws, regulations, or customs); further we may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisee's failure to comply with additions, modifications, or changes to the System within ninety (90) days of such written notice is an incurable default as described in Section XXIII.C of this Agreement.

O. Telephone Number of Business and Web Page

Franchisee understands and agrees that the telephone number(s), the URL address, web page, Websites for the Business (in addition to any mobile phone numbers) constitute a part of the System and

are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone number(s), URL address, web page or Websites for the Business without prior notice and written approval by us. Franchisee shall advertise and publicize the telephone number(s), the URL address, web page and Website for the Business in the manner prescribed by us. As stated above, all telephone numbers, URL addresses, web page, Websites, Internet or similar connections, directory and listings used in the Franchised Business are our property and upon termination will revert to us.

P. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to us all products, equipment, discoveries, concepts, methods, techniques, recipes, formulas, processes, photographs, video presentations, promotions, operational procedures, inventions or ideas, whether patentable or not, relating to our business, which are conceived or made by Franchisee or any Owner, agent, employee or independent contractor of Franchisee solely or jointly with others, during the term of this Agreement, whether or not our facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, equipment, discoveries, concepts, methods, techniques, recipes, formulas, processes, photographs, video presentations, promotions, operational procedures, inventions, or ideas are the exclusive property of us, and that we shall have no obligation to compensate the Franchisee for any such discovery or idea. However, as a matter of corporate policy, we may, in our sole discretion, create an incentive program to reward Franchisee, its officers, directors, managers, members, partners or shareholders for any such new product, equipment, discovery, concept, method, technique, recipe, formula, photograph, video presentation, process or improvement that we implement throughout the System. Franchisee, its officers, directors, managers, members, partners, or shareholders agree to execute all documents deemed reasonably necessary by us to assign all such patent, trade secret, trademark, copyright, and intellectual property rights in any Franchisee discovery or idea to us. The term "all copyright and intellectual property rights" shall mean all means, methods, and process, by all media whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that we deem reasonably necessary to carry out such transfer of intellectual property rights to us.

Q. Permit Franchisor to Enter Business

Franchisee shall permit us and our agents or representatives to enter the Business at any time during normal business hours and without notice for the purpose of conducting inspections of the operation of the Business, reviewing business operations (which includes photographing and taking video of the operations of the Business for observation purposes) and to remove samples of food and/or non-food products, without payment, for our review to determine if such samples meet our then-current standards and specifications. We have the right to require that Franchisee's General Manager be at the Business for any inspection we, our affiliates or third parties conduct. In addition, we may use secret shoppers to inspect and ensure that unauthorized products, supplies, kitchen equipment and services (as described in Section XII.I) are not being used, offered, or sold. Franchisee shall cooperate fully with our representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from us or our agents, and without limiting our other rights under this Agreement, Franchisee shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to promptly correct any deficiency detected during such inspection, we shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. In addition, to maintain the highest degree of quality, if Franchisee fails an inspection twice in any two (2) year period, the Franchisee will also be responsible for the two-thousand-dollar (\$2,000) inspection fee (as described in Section X.H). If Franchisee fails a third (3rd) or additional inspection in the same two (2) year period, we have the option of charging the two-thousand-

dollar (\$2,000) inspection fee or to terminate Franchisee as described in Section XXIII.C of this Agreement. The foregoing shall be in addition to any other remedies we may have pursuant to this Agreement.

R. Additional Requirements for Corporate or other Entity Franchisees

If Franchisee is or becomes a corporation, limited liability company, limited liability partnership, general partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Business;
2. Franchisee's Articles of Incorporation or Articles of Organization, Certificate of Formation, Shareholders Agreement, Operating Agreement, Partnership Agreement, Business Trust Agreement, and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish us promptly upon request copies of Franchisee's Certificate of Formation, Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Business Trust Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;
3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock or other ownership interest in Franchisee and shall furnish such list to us upon request;
4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) or the certificate of any other entity evidencing ownership except in accordance with the provisions of Section XV of this Agreement. All securities or other ownership interests issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT WITH CUPCAKE HEAVEN, LLC AS OF THE SIGNING DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS CORPORATION (IF THE FRANCHISEE IS A LIMITED LIABILITY COMPANY, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE LIMITED LIABILITY COMPANY'S OPERATING AGREEMENT, IF THE FRANCHISEE IS A PARTNERSHIP, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE PARTNERSHIP AGREEMENT. IF THE FRANCHISEE IS A BUSINESS TRUST, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE TRUST AGREEMENT);

5. Any individual or Entity, who owns ten percent (10%) or more ownership in the Franchise Business, shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section XII.R shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation");
6. If Franchisee is or becomes a partnership, Franchisee shall furnish us a copy of its partnership agreement or comparable agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a limited liability company, Franchisee shall furnish us with a copy of its operating agreement and any other documents we may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a corporation, Franchisee shall furnish us a copy of its shareholders agreement, bylaws, and any other documents we may reasonably request, and any amendments thereto, from time to time; If Franchisee is or becomes a business trust, Franchisee shall furnish us a copy of its trust agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time. If such change to a franchisee or to an entity is proposed (or has occurred), we shall have the right to do any of the following: (i) require the new entity to sign the Franchise Agreement and all Owners sign guarantees; (ii) require the representatives of the entity to sign the Franchise Agreement and provide that it and the Owners are all franchisees; or (iii) take no action;
7. Each individual or Entity holding a ten percent (10%) or greater ownership or beneficial ownership interest in the Franchisee's Business, directly or indirectly, (including each individual holding a fifty percent (50%) or greater interest in any limited liability company, partnership or corporation which has a ten percent (10%) or greater interest in the Franchisee's Business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by us, from time to time (if such guaranty agreement is to be executed subsequent to the date hereof in accordance with the terms of this Agreement); and
8. From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining our written consent which consent shall be given or withheld within thirty (30) days of Franchisee's request.

S. Site Selection

Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Franchise Business to be established under the Franchise Agreement and for equipping the Business at such premises. A typical Cupcake Heaven® business has approximately eight hundred to one thousand five hundred (800-1,500) square feet of space. The space for a Cupcake Heaven® Business must be enclosed and separate from other businesses with its own locking door. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by us in writing. Franchisee may not sign a lease (or a contract to purchase the premises, if applicable) for the Business until Franchisee has obtained our written approval. Franchisee must not invest any monies for a site in which Franchisee wishes to open a Business until Franchisee has obtained our written approval for the site which will be made by email or any other form of written communication. On the execution of any lease for the Franchise Business, Franchisee will deliver to us a copy of the executed lease and an option to assume the lease executed by the lessor in favor of us in a form acceptable to us. All improvements to the Business must be approved by us.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT

CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT A CUPCAKE HEAVEN® FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent a considerable amount of time choosing and creating the layout, decoration and outfitting for Cupcake Heaven® businesses. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout, and other characteristics of the Business constitute and/or contain Confidential Information and/or trade secrets of ours. Franchisee agrees that the Business shall be maintained and operated as follows:

1. Franchisee will maintain the Business and every component of the kitchen equipment furnishings, fixtures and technology items in good order and repair at all times as specified in the Operations Manual;
2. Franchisee will keep the Business fully insured as specified in this Agreement and in the Operations Manual;
3. Franchisee will keep the Business at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, colors and logos in the Business and upgrade or review the same as specified in the Operations Manual;
4. Franchisee will not alter or in any way amend the appearance of the Business, or any kitchen equipment, furnishings, fixtures, technology items and signage contained within the Business as specified in the Operations Manual;
5. Franchisee will maintain all kitchen equipment, furnishings, fixtures, technology items and signage as specified from time-to-time in the Operations Manual and may be required to upgrade such items as technology advances or in our sole discretion because of new functionality so as to always use our then-current specifications;
6. Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Business. Franchisee shall furnish to us, immediately or within three (3) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Business; and
7. Franchisee may be required to use only approved service centers for repairs and maintenance of all kitchen equipment in the Business.

Franchisee shall not execute a lease or sublease for the Business or make any modifications or amendments to the lease or sublease, without our prior written consent, which we may grant, condition, or withhold in our Business Judgment. Franchisee will deliver to us a copy of any lease or sublease for our review at least ten (10) days before execution. Franchisee must deliver a copy of the signed lease or sublease (and master lease if applicable) to us within five (5) business days after it is signed. We do not offer legal services to Franchisee and Franchisee is encouraged to consult with independent legal counsel for a legal review of the lease. Franchisee shall ensure that the lease or sublease for the Business contains, in an addendum or otherwise, the following provisions which:

- 1). Permit Franchisee to operate a Cupcake Heaven® Business in accordance with this Agreement and the Manuals;
- 2) Provide that the site will be used only for the operation of a Cupcake Heaven® Business, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;

- 3) Require the lessor to concurrently provide us with a copy of any written notices of default to Franchisee under the lease and give us the right to cure any default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;
- 4) Provide us with a right to take assignment and possession of the Business, without the lessor's consent or any additional consideration. If we exercise this right and Franchisee is in good standing under the lease, we'll sign a sublease with Franchisee or take an assignment of the lease, for the same rent Franchisee is paying. In any case, we won't have any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will, when Franchisee signs this Agreement, also sign the Collateral Assignment of Lease attached as Schedule 6. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;
- 5) Provide that the lessor consents to the use of the Marks, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and trade dress and/or prevent/cure any default; and
- 6) Not contain any clause providing that if the Franchisee sells the assets of its Business, or the stock/membership units/partnership units of the Business, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

T. Development and Construction of the Business

Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of site design, architectural and working drawings necessary to complete construction and/or build out at the Approved Location. Franchisee will be provided with mandatory requirements and specifications (interior and exterior) for the build out of the Business that includes specifications for the Business layout, kitchen equipment specifications, storage, furnishings, fixtures, technology items, décor, and signage. We must review Franchisee's final set of drawings and plans prior to implementation. Such drawings, plans and specifications are subject to alteration as may be necessary in our sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. Franchisee is responsible for the cost and installation of all build out specifications. We reserve the right to receive rebates, commissions or other forms of consideration from designated or approved vendors and suppliers involved in the construction of Franchisee's Business or supplying kitchen equipment, furniture, fixtures, technology items, décor and signage for the Business and to use such rebates, commissions or other consideration in any way we deem appropriate in our sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that a Cupcake Heaven® Business location would need minimal construction improvements. Costs may vary widely depending on such factors as property location, size of the property, the condition of the property, the extent of alterations required for the property. Franchisee shall be

responsible for obtaining all zoning classifications, health, sanitation, clearances, inspections, permits and certifications which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to us, for our approval, final plans for construction based upon the preliminary plans and specifications. Once approved by us, such final plans shall not thereafter be changed or modified without our prior written permission. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open the Business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

Franchisee shall comply with all federal, state, and local laws, codes, and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design, and operation of the Business. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide us with a copy of such notice immediately or within five (5) days after receipt thereof. Franchisee shall remedy the problem within the required time frame or review with us the matter and comply with our direction regarding the timing and nature of the remedy.

Except as provided in Section IX.A of this Agreement, Franchisee shall construct, furnish, and open the Business according to the requirements contained herein, and Franchisee shall open the Business no later than one hundred eighty (180) days from the Effective Date. Prior to opening for business, Franchisee shall provide us with evidence of lien-free completion of all work (including, without limitation, any and all mechanic liens) and to comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the grand opening advertising program), the Operations Manual, and/or elsewhere in writing by us.

Franchisee shall not open the Business for operation until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including, but not limited to, materials, quality of work, kitchen equipment, furnishings, fixtures, signage, and decor, and we have given Franchisee written approval to open, which approval shall not be unreasonably withheld. Our approval to open the Business for operation does not constitute a waiver of our right to require Franchisee to conform the Business to our standards.

U. Training

Prior to Franchisee's opening of the Business to the public, Franchisee, its Owners (if it is an Entity) and General Manager shall complete to our satisfaction our nine (9) day initial training program required by this Agreement within sixty (60) days of the date Franchisee anticipates opening the Business for operation. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee's manager(s) from time to time. We may, at any time, discontinue such initial training and decline to certify Franchisee and/or its General Manager who fail to demonstrate an understanding of our initial training acceptable to us. If Franchisee or its General Manager's training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for such training to us. If Franchisee's new candidate does not satisfactorily complete the initial training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for all required training programs; and Franchisee, its Owners and/or General Manager who attend the training shall be responsible for all other expenses incurred in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

V. Ongoing Training and Support.

Franchisee will have access to our personnel for questions, ongoing training and support by telephone and e-mail during regular business hours (Eastern Time Zone). We will continue to consult with and advise Franchisee; provide telephone assistance, free of charge, to answer any questions from Franchisee or its management staff (Section XX.A of this Agreement), provide updates to approved Products and Services in addition to Manual specifications, marketing, and operational updates as they become available; review advertising, product, supply, kitchen equipment, vendor and/or supplier approval requests; and administer the System Advertising Fund.

XIII. OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens a Cupcake Heaven® Franchised Business, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify) and Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. Franchisee shall list us as additional insured on all its insurance policies. Franchisee will procure and maintain general liability insurance with a minimum policy limit of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate (this policy should include general tort, premises damage, personal and advertising injury and should be at least \$2,000,000) in addition to product liability insurance (covers Franchisee for damages that result in injury from products Franchisee distributes) and property and casualty insurance with a minimum policy limit of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate or an amount specified by us. Franchisee must also procure and maintain “All Risks” or “Special Form” insurance (coverage for the full cost of replacement of the premises and all other property) and business interruption insurance to fully insure loss of earnings for a period of one hundred eighty (180) days or longer as may we specify.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee may be required to ensure that its general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders risk, product liability and independent contractor’s coverage) with limits of no less than one million dollars (\$1,000,000) per claim, naming Franchisee and us as additional insureds, as their/our interests may appear, together with workers’ compensation and employer’s liability insurance as required by law and as required by the lease. It is Franchisee’s responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, we may require Franchisee to obtain: automobile liability insurance, professional liability insurance (covers Franchisee for damages that do not result in property damage or bodily injury), employer liability insurance, employment practices liability insurance, employee dishonesty insurance and crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each state, with policy limits of one million dollars (\$1,000,000) or in the amount we specify.

All insurance policies will name Franchisee as certificate holder and us and our affiliates as an additional named insured with waiver of subrogation by Franchisee for the benefit of us. We may establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide us with certificates of insurance and a complete copy of all insurance policies within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish us with certificates and

endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to us and shall, in our sole discretion, be deemed an immediate material breach of this Agreement as set forth in Section XXIII.C. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, we may, but shall not be obligated to, pay the premiums, or acquire insurance, and bill Franchisee. Franchisee shall reimburse us for the full cost of such insurance, along with a reasonable service charge to compensate us for the time and effort expended to secure such insurance. We may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage, and death or otherwise, arising directly or indirectly out of the Franchised Business.

Franchisee shall notify us immediately in writing of the occurrence of any material event that does or could give rise to an insurable claim by Franchisee or the Franchised Business, and no later than the date on which Franchisee notifies its insurance carrier.

We reserve the right to change or modify (including increasing) the required minimum coverage limits. We make no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee agrees to seek the advice of its insurance advisor regarding the appropriate types of coverage and coverage limits Franchisee may need to sufficiently protect its Business. Franchisee acknowledges that we shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto. Franchisee agrees to seek the advice of its insurance advisor regarding the appropriate types of coverage and coverage limits Franchisee may need to sufficiently protect its Franchise Business.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this agreement, Section XVIII. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

Franchisee shall furnish us with certified copies of each of the insurance policies described above on either the earlier of the opening of the Business for operation or one hundred eighty days (180) days following the date this Agreement is executed.

XIV. OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis are essential to the efficient operation of the Business. If Franchisee is not qualified to maintain accurate financial records, in our reasonable determination, the Franchisee

agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchisee and who will attend to the bookkeeping for the Business not less than once a week for that purpose.

Franchisee shall maintain during the term of this Agreement and shall preserve for a minimum of seven (7) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by us in the Operations Manual or otherwise specified in writing. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide us with all hard copy and/or digital copies of reports as we prescribe on or before the seventh (7th) day of each month or daily if we require. Franchisee will also deliver or provide electronic access to business records (we will have independent access to all information that Franchisee stores in any POS system, computer, tablet, or software related to the Franchised Business), including an itemized report of Franchisee's Gross Revenue for the prior period on a form we prescribe, which will include payment for that periods or months' fees due, and may include, to the extent that we require:

1. Franchisee's profit and loss statement, payroll records, certification, or records of Gross Revenue (as defined in Section X.A), vendor summary reports and reports of accounts receivables for the week, day, month, or period reported; and/or
2. Copies of any and all receipts and contracts with updated location information in any format we specify;
3. Copies of all invoices for purchases of all products, supplies and kitchen equipment;
4. Copies of Franchisee's most recent sales tax report and/or sales tax return;
5. Copies of all inspections for the Business from governmental agencies;
6. Copies of all merchant account printouts received from the Franchisee's merchant account banking provider (i.e. records of credit and debit card transactions);
7. Copies of all bank deposits, and bank deposit records made by the Franchisee; and
8. A complete list of all customers and contact information (including but not limited to all: email addresses, physical addresses, and telephone numbers) who have filed a complaint (internally, with governmental agencies or with third parties such as the Better Business Bureau) or sought any type of refund during the preceding month by the end of the seventh (7th) day of each month, bi-monthly or as we require.

Franchisee acknowledges and agrees that we, at all times during the term of this Agreement and after termination, expiration or cancellation of this Agreement, have the right to access (electronically or otherwise) all Business Records of the Franchise Business. We may use, transfer, copy or analyze such Business Records as we determine in our sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, insurance policies, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, contracts, financing arrangements, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of the Business, including but not limited to records of customers, employees, vendors and other professionals related to the Business.

Franchisee will be required by us to obtain specific POS systems, computers and use specific software, including, without limitation, a license to use our Software (if developed by us), or any of our vendors in accordance with Section XII.I of this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the POS system, computers and software and Franchisee agrees to pay any software license or maintenance fee (if required). Franchisee agrees to maintain, upgrade, update, etc. the POS system, computers, and any additional licenses for any software as necessary (upgrades, maintenance, and support for our proprietary software (if developed) will be provided by us as described in Section XX.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of Software that we may license to Franchisee and other products and services that we may furnish to Franchisee related to the POS systems and computers.

Franchisee will adopt a fiscal year as approved by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to us accounting, tax and other information or copies of documents, as we request.

B. Franchisor's Right to Audit

We or our agents may enter the Franchisee's location to examine or audit Franchisee's business at any reasonable time without notice. We may examine, inspect, or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, purchase agreements, sales reports, timecards, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns, insurance policies and other documents. We will bear the cost of the audit, provided however, if Franchisee fails to report as required or understates Gross Revenue by two percent (2%) or more for any reported time period, then Franchisee will pay the audit costs in addition to amounts owed to us plus interest at eighteen percent (18%) per annum (1.5% per month) for all understated Gross Revenues or the maximum rate allowed by the laws of the state in which Franchisee's business is located as specified in the Operations Manual. Franchisee will immediately pay us all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse us for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at our discretion, submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to us. If an inspection discloses an understatement in any payment to us of two percent (2%) or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in Section XXIII.C. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

C. Method of Payment

All payments Franchisee makes to us will be by any method we specify, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section X.C of this Agreement). All payments to us and dollar amounts stated in this Agreement are in United States dollars unless otherwise expressed. Notwithstanding any other provision in this Agreement to the contrary, in the event the United States currency is redeemed, renominated or another currency is issued in its place the new currency will be required. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to us. Franchisee is responsible for any fees associated with payment methods other than cash, check or electronic transfer.

D. Submission of Financial Statements

Franchisee will provide us with a copy of Franchisee's year-end annual financial statements including a profit and loss statement and a balance sheet and containing complete notes and disclosures. Such statements will be prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP"), by an independent accountant, and Franchisee will deliver the financial statements to us within ninety (90) days after Franchisee's fiscal year end.

E. Disclosure of Financial Statements

Franchisee hereby grants us permission to release to Franchisee's lenders or prospective lenders, our purchasers or prospective resell purchasers, any financial and operational information relating to Franchisee and/or the Business; however, we have no obligation to do so. Should we have acquired Franchisee's Business and intend to sell it to a prospective franchisee, we may show such buyer Franchisee's financial statements and related information.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers and creditors concerning the Business and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Business as we may request.

XV. **SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS**

A. Names and Marks are Licensed by Franchisor

We warrant with respect to our proprietary Names and Marks that:

1. Pursuant to a License Agreement between us and Cupcake Heaven and Cafe, LLC, we have been granted the exclusive right to license the use of the Names and Marks to establish Cupcake Heaven® franchises in the United States.
2. We will take such steps as we deem reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and
3. Franchisee acknowledges that there may be third party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Names and Marks. We and Franchisee shall investigate such use, applications, or registrations, if any, and we shall in our sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by us shall not constitute a ground for the termination of this Agreement. In the event we determine in our sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if we shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by us. We shall not otherwise be liable for any losses or any consequential damages, incidental damages, exemplary damages, special damages, including lost future profits, resulting from, or arising out of any trademark, service mark, and/or unfair competition claim(s). We shall have no obligation to reimburse the Franchisee for any

costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo, or trade name change.

4. We will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operations Manual as well as our policy statements, which underlie the goodwill associated with and symbolized by the Names and Marks.

B. Franchisee is Licensed to Use Names and Marks

With respect to Franchisee's licensed use of the Names and Marks pursuant to this Agreement, Franchisee agrees that:

1. Franchisee shall: (i) use only the Names and Marks as are approved in writing by us for Franchisee's use; (ii) use the Names and Marks only in the manner authorized and permitted by us; and (iii) in any use whatsoever of the Names and Marks, identify the Names and Marks as being the Names and Marks registered to or owned by Cupcake Heaven and Cafe, LLC with exclusive rights given to us;
2. Franchisee shall use the Names and Marks only in connection with the operation of the Business and in advertising for the Business conducted at or from the Franchisee's web page, or Accepted Location;
3. Franchisee shall use and display, as we may require in the operation of the Business, a notice in the form approved by us indicating that Franchisee is a "Franchise of Cupcake Heaven, LLC" and that the Names and Marks are used by Franchisee under such Franchise. Franchisee must indicate to third parties that it is "independently owned and operated" and that Franchisee uses them under a license;
4. Unless otherwise authorized or required by us, Franchisee shall operate and advertise the Business under the Name and Mark "Cupcake Heaven®,"
5. Franchisee's right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of our rights and a material breach of this Agreement;
6. Franchisee must obtain our approval for any use of any item of printed or digital material of any kind bearing any of the Names or Marks unless we supplied the item. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee shall use such notices of trademark registrations and copyrights as we specify.
7. Franchisee shall not use the Names and Marks to incur any obligations or indebtedness on our behalf;
8. Franchisee shall not use the Names and Marks or any part thereof as part of its corporate or other legal name;
9. Except as otherwise permitted in this Agreement, Franchisee shall not use the Names and Marks or any part thereof in any form on the Internet, including but not limited to,

addresses, domain names, URL's, Websites, links, metatags, locators, and search techniques;

10. Franchisee shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by us or our counsel to obtain protection for the Names and Marks or to maintain their continued validity and enforceability;
11. In the event any litigation involving the Names and Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify us and shall cooperate fully with us in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in our sole opinion, reasonably be necessary or advisable to protect and maintain the interests of us or any other interested party in the Names or Marks. Other than what is stated in this Agreement, we are not obligated to protect Franchisee's right to use the Marks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the Marks or to change the Marks at Franchisee's expense. We will control all such litigation, arbitration, and mediation involving the Marks. The Franchisee has no authority to institute any litigation, file any arbitration, or institute any request for mediation regarding the Marks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Marks or Franchisee's right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously;
12. During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Business in conjunction with any use of the Names and Marks, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such conspicuous locations on the premises as we may designate in writing. The form and content of such identification shall comply with standards set forth in the Operations Manual; and
13. Franchisee further agrees to follow all our quality standards that are inherent in the Names and Marks. Such quality standards are contained in the Operations Manual, as well as various memos or policy statements issued by us, and may be changed from time to time at our sole discretion.

C. Franchisee Will Not Challenge Franchisor's Rights in Its Use of the Names and Marks

Franchisee agrees and acknowledges that:

1. As between the Parties hereto, Cupcake Heaven and Café, LLC is the owner of the Names and Marks, and it has all right, title, and interest in and to the Names and Marks and the goodwill associated with and symbolized by them;
2. The Names and Marks are valid and serve to identify the System and those who are franchised under the System;
3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Names and Marks;

4. Franchisee's use of the Names and Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;
5. Any goodwill arising from Franchisee's use of the Names and Marks in its Business under the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Names and Marks;
6. We reserve the right to substitute different Names and Marks for use in identifying the System, the Business and other franchised businesses operating there under;
7. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute, or add Names and Marks. We cannot and do not make any guarantee that a modification, discontinuance or otherwise will not be required for any reason. In such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance, or other action, and/or with any dispute regarding the Names and Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to us with superior rights;
8. Franchisee hereby agrees not to register or attempt to register Names and Marks in Franchisee's name or that of any other firm, person, or corporation;
9. The right and license of the Names and Marks granted to Franchisee is nonexclusive, and thus we have and retain the rights, among others:
 - a. To use the Names and Marks in connection with offering and selling Products, Services, and kitchen equipment (if we choose to sell kitchen equipment in the future);
 - b. To use the Names and Marks to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising, and co-branding arrangements. Franchisee may not establish a presence on the Internet except as we may specify and only with our prior written consent. We retain the right to approve any linking to or other use of our website or any other website specific to our Products and Services;
 - c. To grant other franchises or licenses for the Names and Marks, in addition to those already granted to existing franchisees; and
 - d. To develop and establish other systems using similar Names and Marks, or any other proprietary marks and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
10. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through our employees, representatives, licensees, assigns, agents, and others, at wholesale, retail and otherwise, in the production, distribution and sale of Products, kitchen equipment and/or Software (if developed) bearing the Names and Marks licensed or other names or marks. Franchisee shall not under any circumstances engage in any wholesale trade or sale of System products, kitchen equipment and/or Software for resale and/or independently act as an exclusive distributor for any third-party vendor or

secure any exclusive rights for any System product, kitchen equipment and/or Software or any of these items that are not part of our System.

D. Ownership of Intellectual Property

Franchisee acknowledges that we are the exclusive owner of the intellectual property which includes the following: our Names and Marks (some by license from Cupcake Heaven and Cafe, LLC), all Confidential Information, all intellectual property associated with the Names and Marks and the System, all vendor and supplier relationships, all Employee and customer lists and all customer phone listings/addresses/URLs held by Franchisee. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Business. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee's Employee and customer lists including information we may request related to such Employees and customers. The use of any or all such intellectual property shall not create in Franchisee, or its Owners, if it is an Entity, title, or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee, nor any of its Owners shall directly or indirectly assert any right, title, or interest in or to any of the Marks or any other part of the intellectual property other than as provided for in this Agreement. Franchisee acknowledges that we shall own all intellectual property rights to any materials provided to the Franchisee by us or developed by the Franchisee pursuant to this Agreement. Such ownership rights shall be in all media, whether now known or hereinafter invented, by all means, methods, and processes, including complete and entire interactive rights, and rights to derivative works.

XVI. **SPECIFIC OBLIGATIONS OF THE FRANCHISEE RELATING TO
CONFIDENTIALITY OF PROPRIETARY INFORMATION**

A. Franchisee Shall Learn of Proprietary Matters

Franchisee acknowledges that it will obtain knowledge of proprietary matters, methods, techniques and business procedures of ours that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding: the System, build-out specifications, layout, design, décor and signage; distinctive Products, Services, proprietary recipes and batters; specifications for all products, kitchen equipment, supplies and services used; vendors and suppliers, software, advertising, marketing and promotional materials (including photographs and video presentations), service standards and operational strategies necessary for the operation of the Business in addition to our Operations Manual. Franchisee further acknowledges that all Confidential Information was not known to Franchisee prior to execution of this Agreement and that our methods are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

1. Any person or entity, which has been or becomes a franchisee of the System and any investors therein;
2. Any person or entity which has, has been or becomes a patron of the Cupcake Heaven® Business or catering customer;
3. The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;
4. The operating procedures of the System, including without limitation: how to prepare all Products in addition to specific cooking methods and techniques; knowledge of all ingredients and product specifications, kitchen equipment, operation and safety procedures; usage of the POS system and software, cost and pricing strategies, how to manage inventory levels, how to use our advertising, promotional and marketing materials,

recommendations for hiring and training employees and best practices for record keeping and recommended accounting procedures;

5. The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies, training, profitability, earnings and losses and capital and debt structures;
6. The Products and Services offered to customers of a Cupcake Heaven® Business, including, without limitation, the scope of products in development and/or developed, services performed and services refused; and
7. All documentation of the information listed in Section XVI.A including, without limitation, our training program and Operations Manual. During the term of this Agreement and for a period of five (5) years following the expiration or termination of this Agreement, Franchisee (including anyone related to Franchisee) agrees not to use, divulge, directly or indirectly, any Confidential Information, without our prior written consent. Nothing contained herein shall be construed as to require Franchisee to divulge any secret processes, techniques, formulas, or the like.

B. Franchisee's Employees Will Not Disclose Confidential Information

Franchisee must keep the methods of operations (confidential information found in manuals, materials and other documents) and the Operations Manuals confidential and not disclose them except to Franchisee's employees, agents and representatives, as they must have access to it in order to operate a Cupcake Heaven® Business. Franchisee must follow all our security procedures, which include the execution and delivery to us of approved nondisclosure or non-competition agreements from its General Manager within one week after he or she is hired. These agreements state that such person shall not during the course of his/her employment, representation, or agency with Franchisee, or for a period of three (3) years thereafter, use, divulge, disclose, or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation or other Entity, any of our Confidential Information.

The Operations Manual (and all other manuals) are, and remain, our exclusive property. We will loan Franchisee one copy (hard or electronic) of the Operations Manual for the term of this Agreement. Franchisee must return the Operations Manual (and/or destroy any electronic versions of the Operations Manual) to us at the termination or expiration of this Agreement for any reason, or at any other time at our request. The Operations Manual contains mandatory and suggested specifications for the Business, service standards and operating procedures and further defines Franchisee's other obligations under this Agreement. We may change or add to the Operations Manual to reflect changes in our image, specifications, procedures, and methods of operation, and will lend Franchisee copies of any changes or additions. However, we will not make any change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee shall not copy any part of the Operations Manual (except for designated training sections), either physically or electronically. If Franchisee's copy of the Operations Manual is lost, destroyed, or significantly damaged, Franchisee must replace the Operations Manual at its own expense as set forth in Section XX.G.

C. Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) may have the ability to compete unfairly with Franchisee and/or other members of the Cupcake Heaven® System and to cause great injury to the reputation of the System and the Names and Marks. Franchisee therefore agrees as follows:

1. Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisee, or allow any former franchisee to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by us or which bear any of our Names and Marks; any other materials or publications of ours, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the System, Business or Confidential Information which is not available to the public.
2. Franchisee will not refer prospective customers to any former franchisee.
3. Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time, and place of any meetings of franchisees.
4. If Franchisee observes any former franchisee using any of the Names and Marks in any way or utilizing a business facility for which the Names and Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to us along with all details available to Franchisee.
5. Franchisee shall in general have no dealings with former franchisees.
6. The provisions of this Section XVI.C shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:
 - i. Franchisee receives a new franchisee directory in which such franchise does not appear; or
 - ii. Franchisee receives written notice from us that one or more franchise agreements have expired or a franchisee has been terminated.

D. Injunctive Relief is Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this Section XVI will cause us irreparable harm, and we shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by us in obtaining specific performance of, or an injunction against, violation of requirements of this Section XVI. The foregoing remedies shall be in addition to any other legal or equitable remedies, which we may have.

E. Franchisor's Patent Rights and Copyrights

We do not own rights in or to any patents that are material to the Franchise at this time. However, we claim copyright protection for several aspects of the System such as our: Operations Manual, Software (if developed), Products, product specifications, recipes, signage, website, all marketing and promotional materials (including photographs and video presentations), sales and operations literature. Such copyright ownership shall extend to all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including rights to interactive works, and derivative works. Furthermore, we claim rights to certain trade secrets and Confidential Information as discussed above.

F. Franchisee Shall Not Contest Franchisor's Ownership Right to Any Confidential Information, Trade Secrets, Patents or Copyrights

Franchisee expressly understands and acknowledges that:

1. We are the owner of our Confidential Information, trade secrets, copyrights, and patent rights;
2. Franchisee shall not directly or indirectly contest the validity or the ownership of our Confidential Information, trade secrets, copyrights, and patents;
3. Franchisee's use of our Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Confidential Information, trade secrets, copyrights, and patents, except the non-exclusive Franchise granted herein;
4. Any goodwill arising from Franchisee's use of the Confidential Information, trade secrets, copyrights, and patents in its Business under the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed Confidential Information, trade secrets, copyrights, and patents;
5. We reserve the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System;
6. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute, or add any new Confidential Information, trade secrets, copyrights, and patents. We cannot and do not make any guarantee that any modification or discontinuation of any aspect of the System or any other System related change will not be required. In any such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance, or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents;
7. Franchisee hereby agrees not to register or attempt to register or license any Confidential Information, trade secrets, copyrights, or patents in Franchisee's name or that of any other firm, person, or corporation; and
8. The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and we thus have and retain the rights, among others:
 - a. To use the trade secrets, Confidential Information, patents, and copyrights in connection with offering the Products and Services;
 - b. To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising, and co-branding arrangements;

- c. To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees; and
 - d. To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
9. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through us or our employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products and/or kitchen equipment (if we develop kitchen equipment in the future) bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products and kitchen equipment included as part of the System.

XVII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS

A. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify us in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee (including if Franchisee or any of its Owners are charged with or found guilty of a felony as defined in its state), and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Business, including, without limitation, any criminal action or other proceedings brought by Franchisee against its Employees, customers or other persons. Franchisee shall give advance written notice of Franchisee's intent to institute legal action against us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

B. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Business. Franchisee shall pay us an amount equal to any sales tax, gross receipts tax or similar tax imposed on us with respect to any payments to us required under this Agreement, unless tax is credited against income tax otherwise payable by us.

C. Franchisee May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Business, or any improvements thereon.

XVIII. SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation

in our name or the name of any of our officers, owners, managers, members, agents, directors, shareholders, or employees. Franchisee further understands and agrees that we, and our officers, owners, managers, members, agents, directors, shareholders, and employees, shall in no event have or assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Business or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms “claim, loss or obligation” will include compensatory, exemplary, or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing claims, losses, or obligations.

Franchisee shall defend, indemnify and hold us and our officers, owners, agents, directors, shareholders and employees harmless from all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, claims of theft, claims arising as a result of the operation and/or maintenance of any equipment or vehicles, claims of neglect, abuse, death, vicarious or other liability), demands, actions, losses, damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature, however arising out of or otherwise connected with and/or related to any act, error and/or omission of Franchisee (including Franchisee’s ownership, operation, training of Employees and/or management of the Franchised Business); and/or any referral, service provider, supplier or other agent/independent contractor or employee of Franchisee including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee’s operation of the Business; libel, slander or any other form of defamation by Franchisee and any infringement, violation or alleged infringement or violation of any Name, Mark, patent or copyright or any misuse of the Confidential Information. This provision includes any liability arising from labor or employment law violations as well as any liability related to joint employer and harassment claims. This provision includes all claims as indicated above, of ours, directly against Franchisee (without a third-party involvement) due to acts or omissions of Franchisee in which we suffer damages including but not limited to, harm to our goodwill and reputation.

We will have the right to control all litigation, including selection and management of counsel, and to defend and/or settle any claim, against and/or including us and/or our-related persons/entities, or affecting our and/or their interests with no obligation to Franchisee and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee’s interest in such suits, proceedings, claims, etc., all at Franchisee’s expense. Franchisee’s indemnification obligations survive termination of this Agreement.

XIX. MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The Parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which we are a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

B. Franchisee's Principals

The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an entity, all managing partners, general partners, members, managers, shareholders, officers, directors and their spouses or other operational personnel whom we designate as Franchisee's Principals and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The Franchisee shall list its initial Principals on Schedule 7 of this Agreement.

C. Franchisee Will Not Compete Against Franchisor

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training, our Confidential Information, and our System.

Franchisee agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a period of two (2) years from the date of (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section XIX.C, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business using any aspect of the System, the overall Cupcake Heaven® business concept, with similar Products and/or Services of a Cupcake Heaven® Business within a ten (10) mile radius of the Accepted Location designated hereunder, or within a ten (10) mile radius of any other System franchise or company-owned business in existence or planned as of the time of termination or expiration of this Agreement as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement. For purposes of clarification, Franchisee may not, during the term of this Agreement, operate a competing business any place.

The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in any other jurisdictions, or the enforceability of the remainder of this Agreement. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of our training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section XIX or any part of it is deemed not enforceable in whole or in part, Franchisee hereby grants us an option to purchase Franchisee's Business on expiration or termination of this Agreement. In such case, we may exercise this option by giving thirty (30) days' written notice to Franchisee (Sections XXII.C and XXII.E). On termination or expiration, Franchisee will deliver to us a list of Assets (as described in Section XXIV.G). All of other Franchisee's post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

D. Exception to Covenant Not to Compete

Section XIX.C hereof shall not apply to ownership by Franchisee or any of its Owners of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly Held Corporation. As used in this Agreement the term "Publicly-Held Corporation" shall be deemed to refer to a corporation whose securities have been registered under the Federal Securities Exchange Act of 1934.

E. Franchisee Will Not Divert Business

During the term of this Agreement and for a period of two (2) years following the expiration or termination of this Agreement, Franchisee agrees that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or any customers of its Business or any other franchisee including company-owned businesses with which or with whom Franchisee has had contact during the term of this Agreement; or
2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both.

F. Franchisor Is Entitled to Injunctive Relief

In addition to any and all remedies and damages to which we are entitled, in order to protect our Names, Marks, Products, Services, Confidential Information, proprietary materials and rights, and goodwill, we may seek a permanent injunction and preliminary or temporary equitable relief we deem necessary, to restrain the violation of this Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that we may obtain the injunctive relief and enter it in any court or arbitration forum that we deem appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and the necessity of us to avoid irreparable harm and to protect, our Names and Marks, Products, Services, Confidential Information, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that we have an adequate remedy at law. Franchisee further waives any requirement that we post a bond or other security, to the extent permitted by law.

G. Covenants Are Enforceable Independent of Claims

Franchisee expressly agrees that the existence of any claim it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants of this Section XIX. Franchisee further agrees that we shall be entitled to set off any amounts owed by us to Franchisee against any loss or damage to us resulting from Franchisee's breach of this Section XIX.

H. No Right of Set-Off

Franchisee expressly agrees that the existence of any claims it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section XIX and there shall be no set off for Franchisee's claim. Franchisee agrees to pay all damages, costs, and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Section XIX.

I. Disclosure of Contact Information in FDD

Franchisee acknowledges that its contact information will be included in our Franchise Disclosure Document in the future, as required by Virginia and other state agencies and the Federal Trade Commission, and that such inclusion may result in prospective franchisees contacting Franchisee.

XX. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE AND SERVICES

We shall provide Franchisee with the following assistance and services:

A. The Training Program

We will provide our initial training program at our headquarters or another location of our choice. Initial training will take place after Franchisee pays the Initial Franchisee Fee, but before Franchisee opens Business for operation. We will provide this initial nine (9) day training program without charge for Franchisee and up to two (2) additional individuals (total of three people), being the Owners or General Manager as designated by Franchisee no earlier than sixty (60) days prior to when Franchisee anticipates opening the Business for operation. Franchisee will, however, be responsible for travel, accommodation, food, and other costs for all its attendees. Franchisee, its Owners and/or General Manager must attend and satisfactorily complete training within sixty (60) days that Franchisee anticipates opening the Business. If Franchisee, its Owners, or General Manager fails to timely complete the initial training program to our satisfaction, Franchisee has the right to appoint another General Manager to be trained by us at Franchisee's expense and if the other person does not satisfactorily complete the training to our satisfaction, then we may terminate this Agreement as described in Section XXIII.C. Any person designated by Franchisee to replace a previously trained Owner or General Manager must be trained by Franchisee within thirty (30) days of first employment, at Franchisee's cost. For a second or subsequent franchise, we will not be obligated to provide additional training to Franchisee.

We may reasonably require Franchisee, its Owners, or General Manager to receive or attend and complete to our satisfaction additional or advanced training from time to time. Franchisee may be required to pay a fee for such training of up to two hundred dollars (\$200) per person per day. Franchisee must also pay for travel, food, and accommodations and all other related expenses. We will attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, we may provide additional training to Franchisee for Franchisee's Owners and/or General Manager at Franchisee's request. Franchisee may be required to pay us any additional costs over and above the additional training fees such as travel that we reasonably incur should training be held at Franchisee's Business. If additional training is held at our corporate headquarters, Franchisee will be responsible for travel, food and accommodations and other expenses of its trainees.

We offer training resources, such as the Operations Manual to assist franchisees at their business location. Franchisee acknowledges that its compliance with the Operations Manual is vitally important to us and other System franchisees and is necessary to protect our representation and the guidance on the usage of the Names and Marks and to maintain the uniform quality of operation throughout the System. However, while the Operations Manual is designed to protect our reputation and the goodwill of the Names and Marks, the Operations Manual is not designed to control the day-to-day operation of the Business. Franchisee shall give us not less than sixty (60) days' notice of the dates and times when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and us.

- i. We shall also offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business including refresher training programs, seminars, workshops, and annual conferences and information may be available through the intranet system on our website for the benefit of the Franchisee and the Franchisee's employees. We may charge a reasonable fee for additional training if deemed appropriate (distinct from continuing education) but not to exceed the additional training fee. All traveling, food, accommodations, and other expenses incurred by the Franchisee or

Franchisee's representatives or employees attending additional training shall be paid by Franchisee.

- ii. We may conduct an annual conference at such place as shall be designated by us for all Franchisees. A registration fee for each participant may be required not to exceed one thousand dollars (\$1,000) per person and Franchisee will be responsible for costs and expenses associated with attending the conference such as travel, food, accommodations, and other expenses. We reserve the right to increase the fee a reasonable amount based on reasonable criteria.
- iii. We may provide continuing education sessions ("Continuing Education") at locations designated by us, but most likely at our headquarters. Continuing Education sessions may have a registration charge of two hundred dollars (\$200) per day per person. Franchisee is responsible for all costs associated with attending such sessions such as travel, food and accommodations or our expenses (such as travel, food, and accommodations) if we provide Continuing Education sessions onsite at Franchisee's Business. The Continuing Education sessions will normally not exceed one (1) day and it is expected we will at least have quarterly sessions subject to special need. The content will cover particular aspects of the Franchise including but not limited to new Products and approved Services, updated recipes, Product preparation and presentation standards; kitchen equipment maintenance and operation, industry developments, operational and service standards, technology and software developments, promotional and marketing programs, administration and so forth. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria.

We may, but are not obligated to, offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business which may include certification programs, seminars, workshops, product or service training programs, annual conventions, and information available through our website for the benefit of the Franchisee and the Franchisee's employees. We may charge a reasonable fee for additional training if deemed appropriate. Any and all travel, food, and accommodations and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending our training shall be paid by the Franchisee.

As part of the initial training program, we will provide Franchisee with: a written list of approved Products, Services and programs (such as our Loyalty Programs) Franchisee can offer in its Business; a written list of approved vendors and suppliers to lease and/or purchase products, supplies, kitchen equipment and services from; a written list of recipes including Product preparation and presentation standards; a written list of Minimum Representation requirements; a written list of service standards; a written list of cleaning standards; our Operations Manual, product knowledge and specifications, strategies for leasing and/or purchasing kitchen equipment, products and supplies; inventory management, kitchen equipment operations, operational standards and techniques in efficiencies, recommended hiring and training guidelines, safety procedures, sales and promotional strategies; suggested pricing and rates for Products and Services in addition to software programs as described in Section XX.I that may or may not have been developed by us (or our affiliates) and required in the operation of the Business. We reserve the right, in our sole discretion, to add, modify and change such training from time to time. Franchisee will be responsible for all costs associated with the administration of such changes.

We will provide Franchisee with any Software, if developed. Basic initial training for the Software and all other software programs necessary to run the Business will be provided as part of the initial franchise training program. In addition, we may provide technical support, ongoing assistance, consultation and upgrade requirements for Franchisee's POS system, computers, and software. We will update and

make changes to the Software, if developed, as we deem necessary. We will provide recommendations for other software programs necessary for the operation of the Business. All costs associated with installation, upgrading, protecting, and maintaining the POS system, computers, and all other software programs necessary for the operation of the Business are the sole responsibility of Franchisee.

We will provide up to three (3) days of either pre-opening or grand opening supervision to Franchisee at its location when Franchisee opens its Business for operation. Franchisee shall give us not less than sixty (60) days' notice of when Franchisee wants us to provide either pre-opening or grand opening supervision and guidance. The dates for our visit for such assistance and guidance must be mutually agreed upon by Franchisee and us. Such assistance shall be completed no earlier than thirty (30) days prior to the opening date of the Business for operation and completed no later than ninety (90) days once the Business is open for operation. Any costs incurred by us in connection with the pre-opening or grand opening supervision and assistance onsite at Franchisee's Business within the timeframe as described above will be paid by us. If Franchisee does not take advantage of this onsite assistance and guidance within the timeframe described above, then we are not obligated to provide such assistance to Franchisee without charging Franchisee for the actual wages and travel expenses incurred by us. For Franchisee's second and subsequent Franchised Businesses, we will provide the same pre-opening or grand opening supervision and assistance as described above; however, Franchisee will be responsible for actual wages and travel expenses incurred by us. In such circumstances where Franchisee is responsible for actual wages and travel expenses, we will provide Franchisee with invoices for amounts owed and we may require Franchisee to pre-pay all or a portion of the actual amounts incurred by us. Additional support requested by Franchisee will be subject to the training charges as described in Section XX.A.

We will provide ongoing guidance in the operation of Franchisee's Business and provide assistance to resolve operational challenges that Franchisee may encounter outside the scope of the Operations Manual. We can furnish this guidance in whatever manner we consider appropriate in our Business Judgment, including electronically via an intranet system, free of charge, to answer questions from Franchisee and its staff (responses to be provided as promptly as possible during regular business hours Eastern Time Zone). We will conduct, when and as frequently as we deem advisable, onsite inspections of the Business and evaluations of management and operations to assist the Franchisee and maintain System standards, quality, appearance, and service. If we have not inspected the Franchisee's Business in the past twelve (12) months and Franchisee would like to have an inspection performed, Franchisee must notify us in writing and we will perform an inspection within three (3) months of Franchisee's request. For any inspection that Franchisee requests, the cost of the inspection will be at Franchisee's expense. We may furnish guidance in writing, telephonically, through training programs and/or onsite consultations or web-based computer training, among other methods. Onsite consultations are subject to additional training fees (as mentioned above) in addition to any and all travel, food, accommodations, and other expenses incurred by us and shall be paid by Franchisee.

We will provide guidance to Franchisee in its efforts to obtain all licenses, permits, approvals and inspections required by governmental agencies to construct and operate the Business. Ultimately, however it is Franchisee's responsibility and obligation to obtain and maintain all such licenses, permits, approvals and inspections and to pay for all out of pocket costs associated with obtaining and maintaining such licenses, permits, approvals and inspections as described in Section XII.C of this Agreement.

We may, from time to time, provide to Franchisee, at Franchisee's expense, such advertising and promotional plans, and materials (including photographs and video presentations) for local advertising as described in Section XII.L of this Agreement and may direct the discontinuance of such plans and materials, from time to time. We must review and approve prior to the Franchisee's use all other advertising and promotional materials, pursuant to Section XII.L. The Franchisee will not use any disapproved advertising or promotional materials.

We may provide emails, memos, newsletters, bulletins, brochures, manuals, and reports, if any, as may from time to time be published by or on our behalf regarding our plans, policies, developments, and activities. In addition, we may provide such communication concerning new Products, Services, programs (such as our Loyalty Programs), industry developments, recipes, Product preparation, kitchen equipment, operating procedures, training, software, marketing, advertising and improvements to management that we feel are relevant to the operation of the Business and communication with other franchisees by means of our intranet system. We may also establish a Franchisee elected peer group whose main purpose will be to mentor, support each other and regularly communicate to franchisees. We have the power to dissolve, merge, or change such peer advisory groups.

We shall also provide guidance and specifications for all kitchen equipment, furnishings, fixtures, technology items (as described in Section XII.I), software and signage necessary to operate the Business. In addition, we shall provide guidance for establishing standardized accounting, bookkeeping, cost management and inventory tracking systems. The cost for such updates and/or upgrades is Franchisee's responsibility.

All of our obligations under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from, or obtain relief for breach of such obligations, either directly or by subrogation.

B. Web Page

We will provide to Franchisee a Cupcake Heaven® URL housed within the corporate website that will include online ordering functionality and may include portals online for additional training, advertising, operational and support materials. Franchisee may customize parts of the web page with our approval; however, the look of the web page must remain consistent as specified in the Operations Manual. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the web page must be performed by us, our affiliates and/or approved vendors. Upon approval of Franchisee's request, which must be submitted in writing, Franchisee is responsible for the cost of such changes. Franchisee may neither establish nor use any Website or perform any type of website promotion over the Internet without our prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising, or disseminating any information on a Website, regarding the Business as described in Section VI of this Agreement. We shall own all copyright and other intellectual property rights to the web page, as well as the contents of the corporate website or any other Website upon expiration or termination of this Agreement as described in Section XXIV.E and this agreement constitutes a "work for hire." In the event that an arbitral panel or a court of competent jurisdiction holds that the customizations or contents are not works for hire, then Franchisee agrees to assign all copyright and other intellectual property rights to the customizations to us. The term "all copyright and other intellectual property rights" shall include ownership rights in all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including interactive rights and rights to derivate works.

C. Site Selection

Franchisee has the responsibility for selecting a site for its Business. If Franchisee is leasing a space for the Business, we must review and approve the lease prior to the lease being signed. If Franchisee is leasing or purchasing property, we must review and approve the lease or purchase contract prior to it being signed. We will review and approve or disapprove the location of the Business and will not unreasonably withhold our approval. We shall have the right, but not the obligation, to inspect the Business prior to opening. Franchisee is responsible for all lease negotiations.

We do not represent that we have any special expertise in selecting sites. Therefore, our approval of a site is not a representation or warranty that the Business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. Franchisee agrees that our approval or disapproval of a proposed site does not impose any liability on us.

D. Business Layout and Design

We will assist Franchisee in its review of the layout and design of the Business prior to the Franchisee signing a lease or sublease. We will provide Franchisee with guidelines of the layout and design of its Business, however Franchisee may need to hire its own architect, at its own expense, to create a complete set of drawings based on the facility size and local permitting requirements. We must review and approve Franchisee's architect's final plan. We do not represent that we have any special expertise in approving architectural plans. Our approval of Franchisee's architectural plan is not a representation or warranty that such plan will meet local permitting requirements or that such plan will not have to be revised or done over again to get final approval by local authorities. Approval is intended only to indicate that the Business is set up and meets our minimum criteria. Franchisee agrees that our approval or disapproval of Franchisee's architectural plans do not impose any liability on us. The costs of leasehold improvements, equipment, furniture, fixtures, technology items, signs, and décor for finishing out the Business are the responsibility of Franchisee.

We will make available to Franchisee, at no charge, and advise Franchisee with regard to design plans, floor plans and mandatory specifications for the construction and layout of the Business which includes the exterior and interior design. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state, or local law, code, or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Franchisee must adhere to all local zoning ordinances, regulations, fire, health and building codes, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, standard plans, and specifications for the Business, subject to our approval, as provided in Section XII.T of this Agreement, which will not be unreasonably withheld, provided that such plans and specifications conform to our general criteria.

Franchisee understands and acknowledges that we have the right to modify the final set of drawings, architectural plans, floor plans, schematics and/or specifications as we deem appropriate (however we will not modify the final set of drawings, architectural plans, floor plans, schematics and/or specifications for the Business developed pursuant to this Agreement once those final set of drawings, architectural plans, floor plans, schematics and/or specifications have been approved by us and given to Franchisee).

E. Hiring Employees

We will provide Franchisee with recommended guidelines when hiring Employees (defined in Section XII.F of this Agreement) for its Business. These guidelines are provided for reference only and Franchisee acknowledges that it bears the sole responsibility for hiring, training and firing Employees. Further, Franchisee acknowledges that we are not responsible for and do not direct or control the conduct of Franchisee's employees. Such recommendations and suggestions will be covered in the initial training program and are specified in the Operations Manual. Franchisee understands that such recommendations and suggestions will be updated and may change periodically at our discretion. Franchisee can negotiate any rate for Employees. Franchisee may be provided with a recommended rate or wage schedule and may elect to use, subject to applicable laws, these rates or wages as a guide when hiring Employees. Franchisee acknowledges that we have made no guarantee or warranty that using such recommended or suggested

rates or wages will enhance Franchisee's sales or profits. Rate or wage negotiations with Employees are Franchisee's sole responsibility. Franchisee acknowledges that it is fully in charge of hiring of all employees and for managing those employees on an on-going basis. Our input as to hiring and management of employees are suggestions and guidelines which we believe are important, and except for specific requirements set forth in this Agreement or the Manual, Franchisee is responsible for making all employee related decisions.

Failure of Franchisee to adhere to our guidelines and standards when hiring Employees, which may include the requirement of criminal background checks for all prospective employees, may be considered a breach of this Agreement and we may terminate the Agreement in our sole discretion, except where the Franchisee has reasonable cause to deviate from our standards as described in Section XXIII.C of this Agreement.

F. No Warranties Other than in Writing

With respect to any products, supplies, kitchen equipment and services (as described in Section XII.I) provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability, quality of such items, accuracy of informational content, system integration and suitability for a particular purpose being expressly disclaimed. In addition, we make no warranties regarding any open-source code contained in any software that we may provide to the Franchisee. We do not warrant that any such software shall be free of bugs, viruses, worms, or Trojan horses.

We are not liable for any guarantee that Franchisee or any Owners, General Manager, agents, or Employees make to any customer or third party. Franchisee will offer and fully comply with any of our Loyalty Programs, membership programs, gift card programs and/or promotions as developed and designated by us as described in Section XII.H of this Agreement. Franchisee will not misrepresent, omit, or fail to state any guarantee when such programs are implemented.

G. Operations Manuals

We will revise the Operations Manual and the contents of any other manuals and materials created or approved for use in the operation of the Business, from time to time as we deem necessary to improve on its methods of operations. Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard. We will lend Franchisee the confidential Operations Manual for the initial Franchisee training program and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of the Operations Manual loaned to Franchisee is lost, stolen, or destroyed before Franchisee returns it to us, Franchisee must replace such Manual at its own expense.

The Operations Manual is designed to protect the System and the Names and Marks associated with the System, and not to control the day-to-day operation of the Business. Franchisee at all times will remain responsible for the operation of the Business and all activities occurring at or associated with the Business.

Franchisee shall at all times treat the Operations Manual, and any of our written directives, any business plans and specifications, and any other manuals created for or approved for use in the operation of the Business, and any supplements thereto, and the information contained therein, in trust and as Confidential Information, as well as our trade secrets, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise

reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain our sole property and shall at all times be kept and maintained in a secure place at the Business premises.

Any suggestions the Franchisee may have concerning the improvement of Franchisee's web page or our: Products, Services, programs, recipes, facilities, or service format; products, supplies, kitchen equipment, services, vendors and/or suppliers (as described in Section XII.I); our website (and Franchisee's web page), advertising and marketing materials are encouraged and shall be considered by us when adopting or modifying the standards, specifications, and procedures for the System.

H. Selecting Vendors

We shall provide Franchisee with a written list of approved vendors and suppliers that may include or be limited to us or our affiliates for products, supplies, kitchen equipment and services (as described in Section XII.I) necessary for the operation of the Business. We will provide Franchisee with a list of all approved products, supplies, kitchen equipment and services that Franchisee is authorized to use, offer, or sell in the operation of its Business; and a written list of all approved vendors and suppliers to lease and/or purchase such items from during the initial training program. Franchisee understands that such lists will be updated and may change periodically at our discretion and Franchisee agrees to implement such updates at Franchisee's expense as described in Section XII.I of this Agreement. We will train Franchisee on strategies for financing and/or purchasing such items during the initial training program. Franchisee will be required to submit in writing alternate products, supplies, kitchen equipment, services, vendors or suppliers to us for approval as described in Section XII.I of this Agreement. Franchisee acknowledges that we may receive royalties and/or other payments from some or all of the approved vendors.

I. Availability of Products, Supplies and Kitchen Equipment

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of products, supplies and kitchen equipment (as described in Section XII.I) for purchase by Franchisee. We require that the Franchisee lease or purchase such items from us, our affiliates, or approved vendors and/or suppliers. We will provide Franchisee with a list of written specifications for such items along with a list of approved vendors and Franchisee is responsible for acquiring all such items as are necessary for the operation of the Business. All items that are provided by us or our affiliate will be competitively priced, taking into account equivalent quality and other reasonable considerations.

We reserve the right to establish minimum and maximum pricing on certain Products and rates for approved Services from time to time based on competition prevalent within the bakery industry, as legally allowed (as further described in Section XX.K). We shall publish inventory and Minimum Representation requirements in the Operations Manual and such requirements may be amended from time to time by us in our sole discretion.

We reserve the right to implement a centralized purchasing system for franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates or other financial incentives from such purchases by franchisees. We may utilize such rebated funds in any manner we choose in our sole discretion as more fully described in Section X.B. We reserve the right to require franchisees to purchase all products, supplies, kitchen equipment and services (as more fully described in Section XII.I) through our proprietary business to business intranet portal.

J. Advertising and Promotion

We shall develop and provide creative materials (such as photographs and/or video presentations) that could be used for local and regional advertising at our expense and make such advertising and promotional materials available to our franchisees. Publication or distribution of such materials in the Franchisee's market area shall be at Franchisee's own expense. We will provide specific guidelines for advertising, marketing and promotions initiated by individual franchisees and shall reserve the right to disapprove any advertising, marketing, and promotions, which, in our judgement, are not in accordance with these guidelines. However, no such approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in our opinion, be detrimental to any franchisee or any part of the System or the Franchise.

K. Suggested Pricing for Products and Services

We will provide Franchisee with guidance and suggested pricing for Products and rates for Services offered by our franchisees. Franchisee shall have the right to sell and offer Products and approved Services at any price and/or rate Franchisee may determine and we reserve the right, to establish minimum and maximum pricing for any given Product or Service nationwide to the extent allowed by federal and state laws as explained in Sections XII.H and XII.I of this Agreement. Suggested pricing for Products and rates for Services may vary from region to region to the extent necessary to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to sell or offer any Product or Service at any price and/or rate recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Products or Services at our recommended prices and/or rates will enhance Franchisee's revenues, sales, or profits.

We will provide Franchisee with recommended procedures when providing refunds and establishing Employee incentives in addition to a sample set of forms including policies, contracts, waivers, agreements, brochures, promotional and marketing materials (such as photographs and video presentations) in addition to various operational forms for use in the Business. We do not warrant the completeness, legality or enforceability of any agreements or forms. Franchisee must retain its own counsel to review and revise such agreements and forms to comply with applicable federal and state laws. At our discretion, any and all forms used by Franchisee shall be subject to our review and approval and our decision of such approval will be provided within thirty (30) days after such forms are received by us.

We will continue to research and develop new Products, Services, and programs as we deem appropriate in our sole discretion. We may conduct market research and testing to determine consumer trends and salability of new Products, Services, and programs. If we select Franchisee, Franchisee can choose to participate in a market research program to test market new Products, Services and programs in the Business and provide us with timely reports and other relevant information regarding that market research. If Franchisee participates in any test marketing, Franchisee agrees to purchase, at Franchisee's expense, a reasonable quantity of products, supplies, kitchen equipment or services being tested and to effectively promote and make a good faith effort to offer and/or sell Products and Services associated with them. Franchisee shall participate in and comply with our Loyalty Programs and all sales and promotional programs and/or Product promotions established by us.

L. Business Planning Assistance

After Franchisee signs this Agreement, we may review and comment on any business plan and pro forma financial projections Franchisee prepares. We do not represent that we have any special expertise in reviewing or developing business plans, or that any business plan developed by us will result in any profits, revenues, incomes, margins, or sales. Our review and commentary of a business plan, or financial pro forma, is not a representation or warranty that the Franchisee's business will be profitable, that the

Franchisee will earn any revenues, or that Franchisee's sales will attain any pre-determined sales levels. Our review and commentary are intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on us. Franchisee specifically acknowledges that we have not reviewed or commented on any business plan or pro-forma prior to the Effective Date of this Agreement.

XXI. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right and privilege, in our sole and absolute discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular Business or circumstance, physical characteristics, freeway access, density of population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such franchisee's Business. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other franchisee and shall not be entitled to require us to grant to Franchisee a like or similar variation unless the laws of the Franchisee's state expressly require us to grant such a similar variation.

Franchisee acknowledges that when we use the phrases "sole and absolute discretion," "sole discretion" and/or "Business Judgment," whether in this Agreement or in another context, we and Franchisee agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other franchisee(s). Franchisee, we, and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments, and emerging business opportunities. Therefore, we and Franchisee agree that the ultimate decision-making responsibility for the System must be vested in us. So long as we act in material compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

XXII. RELOCATION, ASSIGNMENT, TRANSFER, SALE, OR PURCHASE OF FRANCHISED BUSINESS

A. Relocation

Any relocation: (1) shall be to a location within the Territory or Non-Traditional Location (unless waived by us), (2) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if Franchisee is not in good standing), (3) will be at Franchisee's sole expense and (4) will require that Franchisee (and each Owner if an Entity) sign a general release.

B. General Requirements for Assignment by Franchisee

Franchisee shall not voluntarily or involuntarily transfer, sell, assign or encumber any interest in or ownership or control of Franchisee, the Franchised Business, and/or its assets, the Business or this Agreement (however Franchisee is allowed to transfer up to twenty percent (20%) of its shares or other ownership interests as described below), except in the ordinary course of business, or make any lease or sublease of any property Franchisee is leasing or subleasing in connection with the Business, without our prior written consent. Any attempted sale, assignment, or transfer of any interest in Franchisee, the Franchised Business, and/or its assets, the Business or this Agreement without our prior written consent

will be a default under the terms of this Agreement and will be voidable by us. In granting any such consent, we may impose reasonable conditions, including, without limitation, the following:

1. Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with us, our affiliates, and all suppliers;
2. The proposed transferee (if an Entity then its Owners) must meet our then-applicable standards;
3. The proposed transferee (or if an Entity, its owners, managers, directors, or officers) must not operate a franchise, license another or operate businesses offering products and services similar to those offered by a Cupcake Heaven[®] Business;
4. We shall charge a flat transfer fee of two thousand five hundred dollars (\$2,500) to Franchisee when transferring a part of its Franchise Business (defined as up to 49% of the stock, membership units, partnership units or share of any business trust); or a flat transfer fee of ten thousand dollars (\$10,000) when Franchisee transfers its entire Franchise Business upon our written consent (defined as all other transfers). The term “flat transfer fee” means that Franchisee shall pay this amount regardless of whether our actual cost to process the transfer is higher or lower than such amount. The flat transfer fee will include, but not be limited to, reasonable attorney’s fees actually incurred, the cost of investigating the transferee and our administrative expenses (including employee salaries, sales staff commissions, travel costs, out of pocket costs properly attributable to the transfer). In addition, if the transferee was already in our lead database at the time of first contact between Franchisee and the transferee, we may require Franchisee to pay a referral fee (which amount will be customary for the transaction), in addition to the flat fee of two thousand five hundred dollars (\$2,500) or ten thousand dollars (\$10,000) described above, plus the amount of any broker fees that we are responsible for paying to third parties (does not include our employees);
5. Transferee must pay for and successfully complete the training programs then required of new franchisees at a cost of two hundred dollars (\$200) per person per day and our expenses, subject to increase from time to time.
6. Franchisee shall have substantially complied with all the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;
7. Franchisee shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;
8. The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee’s obligations, known by transferee after reasonable inquiry, under this Agreement and/or any new franchise agreement;

9. The transferee must meet our subjective and objective standards, including all quality standards, and demonstrate: experience, talent, skills, educational, managerial, business, and financial capacity, the aptitude, and ability to operate a Cupcake Heaven® business; and adequate financial resources and capital to operate the Business;
10. The transferee (and, if an Entity its Owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign the then current form of this Agreement then being used by us, but where the term will end on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement and the following requirements will apply: (i), the transferee shall sign all other ancillary agreements as we may require for the Franchise Business as required under the then current form of this Agreement, which agreements shall supersede this Agreement in all respects, and (ii) additional changes to the terms of the Agreement may be made at our sole discretion, which include, without limitation, higher royalty fee payments and advertising contributions, and changes in renewal rights;
11. The transferee, at its expense, shall upgrade the Business to conform to our then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;
12. Franchisee shall remain liable for all of the obligations to us in connection with the Franchise Business it incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;
13. Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;
14. Franchisee may transfer up to twenty percent (20%) of its shares or other ownership interests to any person or entity, in the aggregate, without invoking this provision, provided that in connection with any such transfer of more than ten percent (10%) ownership the transferee executes the same Guaranty and other agreements which would be required upon execution of this Agreement by Franchisee, if such transferee had then been the owner of such percentage of Franchisee's shares or other ownership interests. Franchisee's transfer of an ownership interest without complying with the foregoing, or transfers of more than twenty percent (20%) ownership in the Franchisee's entity, in one or more transfers, without our prior written approval is a material breach of this Agreement;
15. The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Business from the original Franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;
16. The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;
17. Franchisee agrees that we may (but are not required to) discuss with Franchisee and/or the proposed transferee any matters related to any transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any

such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;

18. Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to be an approval of the terms, nor any indication as to any likelihood of success or economic viability;
19. Franchisee and its Owners and/or Principals will agree not to compete, not to divert business or attempt to hire employees, after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section XIX.C of this Agreement; and
20. Franchisee and its Owners and/or Principals will not directly or indirectly at any time or in any manner (except with respect to other Cupcake Heaven® Businesses that Franchisee or its Principals own and operate) identify itself or any business as a current or former Cupcake Heaven® business owner or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Cupcake Heaven® business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us as described in Sections XXIV.A and XXIV.C of this Agreement.

In addition, Franchisee must submit copies of the draft asset purchase agreement or ownership purchase agreement, all draft promissory notes, and security agreements, with the transferee, regardless of whether they are Franchisee financed or lender financed. In addition to all other grounds for rejection, we have the right to reject any proposed purchase of the assets of the Franchised Business or any type of ownership interest in the Franchisee or Franchised Business if the proposed transferee has, in our sole opinion, taken on too much debt.

C. Transfer, Sale or Assignment by Franchisor and Franchisor's Right of First Refusal

Franchisee acknowledges that we have an unrestricted right to sell, transfer or assign our rights or obligations under this Agreement to any transferee or legal successor of ours.

We have a right of first refusal regarding any proposed sale, assignment, or transfer by Franchisee subject to this Agreement. During the term of this Agreement, if Franchisee, or any of its Owners wish to sell, assign, or otherwise transfer an interest in this Agreement, the Franchised Business and/or its assets, or an ownership interest in Franchisee (collectively, the "Interest"), then Franchisee will comply with the requirements of Sections XXII.B, XXII.C and XXII.E of this Agreement.

Franchisee will notify us within ten (10) days after Franchisee has commenced discussions or communications even if preliminary, regarding such a proposed sale, assignment or transfer and then send us written updates of the status of such discussions or communications every thirty (30) days thereafter unless and until such discussions or communications have ceased, in which case Franchisee must notify us in writing within five (5) business days that such discussions or communications have ceased. Whether the discussions have ceased or not, at our option, we may require Franchisee to send us, by certified mail or other receipted delivery, copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. Before agreeing to any such transaction, Franchisee and its Owners agree to obtain from a responsible and fully disclosed buyer, and then send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating to any proposed transfer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The bona fide offer with the proposed purchase price

must be in a dollar amount, and the proposed buyer must submit with its offer a ten-thousand-dollar (\$10,000) earnest money deposit (if a proposed disposition is part of a transaction involving additional Franchised Businesses, operating under other Franchise Agreements or license agreements with us, the proposed buyer must pay Franchisee this earnest money deposit for each Cupcake Heaven® Business involved).

To enable us to determine whether we will exercise our option, Franchisee, or its Owners, shall provide such information and documentation, including financial statements, as we may require (as noted below). If we elect to purchase said Interest, closing on such purchase must occur within ninety (90) days from the date of notice to the Franchisee of our election to purchase said Interest. Our right to exercise the option afforded by this Section XXII.C shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XXII.B, with respect to a proposed transfer of any Interest. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the “Trigger Date”), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The “Preliminary Due Diligence Package” is information and copies of documents (where applicable) that Franchisee supplies to us which consists of Franchisee’s Business financial statements (including weekly and monthly revenue information) for the preceding three (3) years, a copy of the Business’s current lease or sublease (if applicable and if we do not already have it), information about the number and compensation of employees working at the Business, the Franchisee’s merchant account printouts for the past three (3) years, the Franchisee’s bank statements for the past three (3) years along with a description of competing bakeries or other type of food service businesses offering similar Products and Services operating within the Territory or Non-Traditional Location (if operating a Non-Traditional Location). If we notify Franchisee within thirty (30) days after the Trigger Date (the “First Notice Deadline”) that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to notify Franchisee of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. This additional period is called the “Due Diligence Deadline.” If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

- 1) We may substitute cash for any other form of payment proposed in the offer (such as ownership interests in a privately held entity);
- 2) Our credit is equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes; we may provide promissory notes with the same terms as those offered by the proposed buyer, except as to subordination). Regarding subordination, Franchisee acknowledges and agrees that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of its owners will also be senior to the promissory notes given to Franchisee;
- 3) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and
- 4) We must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties regarding:
 - (i) Ownership and condition of and title to ownership interests and/or;

- (ii) Liens and encumbrances relating to ownership interests and/or assets;
- (iii) Validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;
- (iv) All products, supplies, kitchen equipment, technology items (as described in Section XII.I) and other items necessary to operate the Business is in good working condition and suitable for use;
- (v) No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee's Business;
- (vi) No notices from any federal, state, or local governmental authority to make any changes to the Business or that negatively affect it;
- (vii) The Franchisee has the authority to sell the assets of its Business, including a copy of all directors and/or Owner resolutions;
- (viii) The Franchisee will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee's state;
- (ix) There will be no material adverse change in the operation of the Franchisee's Business between the date of signature of any Asset Purchase Agreement, and the date of settlement;
- (x) There are no tax or employee claims or issues; and
- (xi) The Franchisee will not enter into any transaction between the date of signature and the date of settlement other than in the ordinary course of business.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in a Cupcake Heaven® Business, the executor, administrator, or personal representative of that person must transfer such interest to a third party approved by us within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have six (6) months to dispose of the deceased's interest in the Business, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within six (6) months, we may terminate this Agreement.

Upon the death of the Franchisee or if an Entity, an Owner who owns more than forty nine percent (49%) of the Business or in the event of any temporary or permanent mental or physical disability of such person, a manager shall be employed for the operation of the Business who has successfully completed our training courses to operate the Business on behalf of the Franchisee. If after the death or disability of the named Owner, the Business is not being managed by such trained manager, we may at our option, appoint a manager to maintain the operation of the Business until an approved transferee or manager will be able to assume the management and operation of the Business, but no such operation and management of the Business will continue for more than ninety (90) days without the approval of the personal representative of the named Owner (renewable as necessary for up to one year) and we will periodically discuss the status

of the Business with the personal representative of the named Owner; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Business, including compensation of such manager, other costs, and travel, and living expenses of such appointed or approved manager (the "Management Expenses"), shall be charged to such fund. As compensation for the management services provided, in addition to any other fees due, we shall charge such fund the full amount of the direct expenses incurred by us during such period of management for and on behalf of Franchisee, provided that we shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the named Owner or personal representative of the named Owner, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Business, or to any creditor of Franchisee or the named Owner during any period in which it is managed by our appointed or approved manager.

Within thirty (30) days after the effective date of legal transfer of the franchise to Franchisee's heirs or successors of Franchisee's Owners, the heirs or successors must notify us in writing and make application for approval of such transfer. The application for such transfer is subject to the same conditions, procedures, and costs as any other transfer except that there will be no transfer fee.

E. Transfer, Sale, or Assignment to Third Party

If we do not exercise our right to purchase within thirty (30) days pursuant to Section XXII.C, Franchisee may thereafter transfer, sell, or assign the Interest to a third party, but not at a lower price or on more favorable terms than disclosed to us in writing. The sale is subject to our prior written approval as specified in this Agreement.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after we notify Franchisee that we do not intend to exercise our right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired), or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to us), we will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option. If Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days, then any proposed sale or transfer thereafter once again must comply with all of the provisions of Sections XXII.B, XXII.C and XXII.E, as though there had not previously been a proposed sale or transfer.

In addition to its other obligations, such as obtaining our prior written approval, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither we nor our employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that we have a reasonable time to review any reference to us or our franchisees in any prospectus or offering documents before their distribution or use, (iv) pay our actual legal costs incurred for our review, (v) indemnify us, our officers, owners, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from any and all obligations to any person, entity or governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as we may reasonably require and (vii) disclose our ownership and/or licensing rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights and patents.

If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. We and Franchisee may execute an

addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that, then applicable laws referred to in the addenda remain in effect.

F. Resale Assistance of Franchised Business

Franchisee may, at any time, request our assistance in locating a buyer for its Business. We may, at our option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. We reserve the right to charge Franchisee a fee to cover our reasonable costs and expenses (including the time committed by our employees) incurred in providing such assistance. If we elect to assist Franchisee in finding a buyer for the Business in any way, we make no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Business at a price acceptable to Franchisee. We reserve the right to reject any proposed sale based on our determination, in our sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting our assistance Franchisee waives any liability claims it may have against us for such rejection.

XXIII. TERMINATION OF FRANCHISE

A. Impact of Statutes Upon Franchise Agreement

Some state laws provide certain rights to franchisees located in a particular state, including: (1) limitations on our ability to terminate a franchise except for good cause; (2) restrictions on our ability to deny renewal of a franchise; (3) circumstances under which we may be required to purchase certain inventory when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of such state laws, the terms of the applicable state laws may control in those states.

Termination or modification of a lease or contract upon the bankruptcy of one of the Parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

B. Termination by Franchisor with Right to Cure

Except as otherwise provided in this Agreement, upon any material default by Franchisee under this Agreement or any other agreement between Franchisee and us or our affiliates, we may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty (30) day period. If the Franchisee does not cure all such defaults within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. We may terminate this Agreement by written notice to Franchisee for Franchisee's material breach of this Agreement or of any other agreement between Franchisee and us or our affiliates, if Franchisee fails to cure the breach within thirty (30) days after written notice is delivered to Franchisee, provided that this Agreement does not prescribe a different cure period for such breach. Any breach relating to any violation of health or safety laws must be cured within seventy-two (72) hours of notice or such shorter period prescribed by law. Any default for failure to pay monetary amounts must be cured within five (5) days or shorter period as is provided by law.

We may invoke our rights under this Section XXIII.B if, among other things, Franchisee fails to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and us (and/or our respective affiliates).

C. Termination of Franchise Without Right to Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and we, at our option, may terminate this Agreement and all rights granted under it without affording Franchisee any opportunity to cure the breach, effective immediately upon us notifying Franchisee in writing of such breach, if Franchisee or any of its Owners does any of the following:

1. Fails to agree on a Territory (if not operating a Non-Traditional Location and if a Territory was not agreed upon before signing this Agreement), fails to secure a lease and/or fails to open the Business within the time limits as provided in Sections VI and IX.A above;
2. Fails to attend and satisfactorily complete the initial training program within sixty (60) days of the date Franchisee anticipates opening the Business;
3. Attends the initial franchise training program and we determine, in our sole discretion, that the Franchisee, its Owners or General Manager has failed the initial training program and Franchisee does not appoint another General Manager to attend; or another General Manager appointed by Franchisee fails the initial training program and/or is deemed not qualified to manage a Cupcake Heaven® Business;
4. Abandons, surrenders, or transfers control of the operation of the Business to a third-party other than another Owner or General Manager; or fails to continuously and actively operate the Business for five (5) consecutive days, unless precluded from doing so by damage to the premises of the Franchise Business due to war, act of God, civil disturbance, natural disaster, labor dispute or other events beyond Franchisee's reasonable control;
5. Fails or refuses, on more than three (3) occasions during the term of this Agreement, to submit when due any financial statement, tax return or schedule or to pay when due Royalty Fees, or any other payments due to us or our affiliates; or Franchisee (including any of its Owners) has been provided with notices of default from us (either by email or any other form of written communication) more than three (3) times during the entire term of this Agreement;
6. Operates the Business in a manner that presents a safety, health, or environmental hazard to customers and/or violates any federal, state, or local law, rule, regulation, or ordinance; fails a third (3rd) quality control inspection performed within any two (2) year period; or fails to maintain (at any given time) an above average rating or score for all health department inspections;
7. Fails to use its best efforts when hiring employees including taking every action required by applicable laws related to criminal background checks (if Franchisee chooses to do such background checks or in the future, we require background checks) for all prospective employees as described in Sections XII.F and XX.E;
8. Is unable to provide Products and/or Services associated with the System, or if any business or professional license, credential or certification required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing;

9. Fails, for a period of fifteen (15) days (or such lesser period as required by applicable law) after notification of violation or non-compliance by us or any appropriate authority, to comply with any federal, state, or local law, ordinance, or regulation applicable to the operation of a Cupcake Heaven® Business;
10. Violates any environmental, health, safety or sanitation law, ordinance, or regulation, or operates the Business in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within 72 hours after Franchisee receives notice from us or another party unless a shorter period for cure is provided pursuant to Section XXII.B;
11. Makes a material misrepresentation or omission on the application for the Franchise;
12. Transfers, assigns or sub-franchises this Agreement without our prior written consent, as set forth herein;
13. Discloses or divulges, to any unauthorized person, the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by us;
14. Fails to comply with modifications to System standards as required by us within a ninety (90) day period from the time of written notice by us;
15. Sells Products and/or offers or promotes Services through any alternative channel of distribution (other than Products through third-party mobile app platforms) without our permission; fails to refrain from using third-party mobile app delivery services if we revoke our approval in the future; or engages in any activity, which has a material adverse effect on us or the Names and Marks;
16. Makes any changes to any Products, Proprietary Products, piece of equipment or any third-party products (such as changing containers, packaging, labeling, etc.) as described in Section XII.I of this Agreement;
17. Makes or allows any unauthorized use or copy of our Confidential Information, Proprietary Products and/or Software (if developed) or seeks to challenge our ownership rights in the System, including our Confidential Information, Proprietary Products and/or Software;
18. Engages in any activity to translate, reverse engineer, reverse compile, disassemble or create derivative works based on our Confidential Information, Proprietary Products and/or Software (if developed);
19. Manufactures or produces any product or piece of kitchen equipment that is similar to, or competes with any of our Products, Proprietary Products, third party products or kitchen equipment offered or used in the Business without our prior written consent;
20. Engages in activity to distribute, act as an exclusive distributor or secure exclusive rights to distribute any Products, Proprietary Products, third party products or kitchen equipment without our written consent;
21. Engages in activity to sublicense, rent, lease, sell, distribute, or otherwise transfer our Confidential Information and/or Software or any portion thereof, or any rights therein, to

any person or entity;

22. Exhibits a reckless disregard for the physical or mental well-being of employees, customers, us or our representatives, or the public at large, including battery, assault, harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior as determined in our sole and absolute discretion;
23. Fails to procure and maintain all required insurance coverage (including any lapses, alterations, or cancellations to the insurance policies) as defined in Section XIII of this Agreement;
24. Fails or refuses to: (i) use our approved loyalty program software in the operation of the Business; and (ii) adhere to the loyalty program software fee requirements as described in Section X.E of this Agreement
25. Fails or refuses to: cease using and/or remove any product, supply, kitchen equipment or other items from the Business deemed to constitute a violation of this Agreement by us; (ii) remove, replace and/or maintain all kitchen equipment and technology items (clean, service and repair) as specified by us; (iii) use, sell, offer, change, modify or discontinue any Product, Proprietary Product, Service or program (such as our Loyalty Programs) as specified by us; (iv) prepare all Products only from its Accepted Location and in accordance with our standards, recipes, techniques, processes and presentation standards; and/or (v) perform Services only from its Accepted Location and provide such services according to our service standards, methods and operating procedure requirements as described in Sections XII.H and XII.I of this Agreement;
26. Fails or refuses to: (i) adhere to our Product preparation standards, recipes, techniques, processes, and presentation standards; (ii) purchase the products, Proprietary Products, supplies, kitchen equipment and services from us, our affiliates, or approved vendors; and (iii) use the products, Proprietary Products, supplies, kitchen equipment and services as specified by us as described in Sections XII.H and XII.I of this Agreement;
27. Fails or refuses to comply with our inventory requirements or Minimum Representation requirements (if applicable) as set forth in the Operations Manual;
28. Fails to comply with the terms of any auto-ship programs as set forth in the Operations Manual (currently not in effect);
29. Engages in Target Marketing to solicit and obtain business by any type of advertising or marketing outside Franchisee's assigned Territory or the parameters of its Non-Traditional Location; or fails or refuses to refer persons, businesses, Services and/or off-site events to other franchisees or company-owned businesses (as described in Section VI);
30. Uses the Names and Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URLs, Websites, links, metatags, locators, search techniques and co-branding arrangements without our prior written consent;
31. Is convicted of a felony or has pleaded nolo contendere to a felony, is arrested or convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is charged and/or convicted of a crime of moral turpitude;
32. Engages in unfair business practices or unethical conduct;

33. Fails to discharge within a reasonable time, any valid lien placed against the property of the Franchise Business;
34. Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;
35. Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against Franchise, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Business, or the claims of creditors of Franchisee or the Business are abated or subject to a moratorium under any laws;
36. If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's Business or assets is filed and consented to by Franchisee;
37. If a receiver or other custodian (permanent or temporary) of the Business, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;
38. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee.
39. If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved or extinguished;
40. If execution is levied against Franchisee's Business or property or against any ownership interest in Franchisee;
41. If any real or personal property of Franchisee's Business shall be sold after levy by any sheriff, marshal, or constable;
42. If Franchisee is in material violation of the terms of Sections XII, XVI, XX and/or XXII;
43. If Franchisee maintains false books or records, or submits any false reports to us;
44. If any inspection of Franchisee's records discloses an under-statement of payments due to us of two percent (2%) or more, two or more times in any two (2) year period;
45. If Franchisee's Business has three (3) or more material complaints reported to a governmental entity or public forum (material complaints are determined in our sole and absolute discretion) with respect to the Business in any twelve (12) month period.

D. Termination by Franchisee

If we violate a material and substantial provision of the Agreement and we fail to initiate a remedy to cure the violation within thirty (30) days after receiving written notice from Franchisee detailing our alleged default, Franchisee may terminate this Agreement if so, permitted under applicable law. Any attempted termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of a material and substantial provision of this

Agreement by us and our failure to cure such breach within thirty (30) days after receipt of written notice thereof, shall not be permitted.

E. General Effect of Termination

On termination or expiration, all of Franchisee's post-termination obligations, including covenant not to compete, non-disclosure, return of the Operations Manual and other proprietary materials, and indemnity, will remain in full force and effect. If this Agreement terminates for any reason prior to its expiration date, we will be entitled to certain damages (as described in Section XXIV.H).

F. Territory Alteration as an Alternative to Termination

If Franchisee is in default of the Franchise Agreement, as an alternative to termination, we may modify or eliminate any rights that Franchisee may have with respect to the protected status of the Territory, effective ten (10) days after delivery of written notice to Franchisee. In addition, we may modify or eliminate Franchisee's Territory.

XXIV. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Franchisee Shall Cease Using Names and Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, methods, trade secrets, procedures, descriptions of Products and Services associated with us and the Names and Marks and any proprietary marks and any forms, slogans, symbols, signage, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all décor, signage, advertising materials, stationery, forms and any other materials or articles, which display the Names and Marks. Franchisee shall make or cause to be made, at its expense, changes directed by us in signage, building, structures and premises so as to effectively distinguish the surviving business entity, if any, from its former appearance as a Cupcake Heaven® business, and from other existing Cupcake Heaven® businesses. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be Confidential Information under the terms and conditions of this Agreement back to us.

B. Franchisee Shall Cease Operating the Business and Refrain from Notifying Customers

Franchisee shall immediately cease to operate its Cupcake Heaven® Business and shall not thereafter, directly, or indirectly, represent itself to the public or hold itself out as a present or former franchisee of ours.

In addition, Franchisee shall not give notice of termination or expiration of this Agreement to Franchisee's customers, persons and/or businesses who have received Products or Services from Franchisee without our prior written consent. We shall have the sole right to notify all of Franchisee's customers, persons and/or businesses who have received Products or Services from Franchisee's Business of the termination or expiration of this Agreement at the time and manner we determine to be appropriate. All of Franchisee's lists of existing and potential customers (including persons and/or businesses) shall be our property. Franchisee shall assist us in transferring such lists to us upon termination or expiration of this Agreement at such times and in the manner, we require.

Franchisee must immediately tender all new or used inventory of our Proprietary Products, décor, signage, uniforms, apparel, forms or materials in addition to promotional, advertising, and marketing materials and/or anything else that displays our Marks in addition to all Confidential Information to us and/or our designated affiliates or destroy, if notified by us in writing to do so, all inventory of such items in a timely manner in accordance with the terms of the Operations Manual and as specified in Section XXIV.G of this Agreement.

C. Franchisee May Not Adopt Confusingly Similar Names and Marks

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Names and Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us or a former association or connection with us.

D. Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Names and Marks. Franchisee shall take all actions necessary to transfer all phone numbers, addresses, domain names, listings, and location contacts for the Business and/or used in the Business to us or our designee, including but not limited to authorizing all telephone, Internet, email, electronic network, directory and listing entities to effectuate the same.

E. Franchisee Shall Transfer or Terminate Domain Name and Web Page

Upon termination or expiration of this Agreement, Franchisee agrees that, we will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of Franchisee's right to use all domain names, web page, Websites, and other search engines for the Business and to authorize the above and other search engines to transfer to us or our designee all domain names, Websites and search engines associated with the Business. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, web pages, Websites and search engines related to the Business and that we have the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee's domain names, web pages, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions, and damages that Franchisee may, at any time, have the right to allege against them in connection with this provision.

F. Franchisee Must Return Operations Manuals and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, it will immediately return to us all copies of the Operation Manual, training materials and any other materials, which have been loaned to Franchisee by us. Franchisee further agrees to turn over to us all items containing any of the Marks, including all vendor and customer lists and contracts for the Franchised Business.

G. Franchisor May Purchase Assets

We shall have the right of first refusal to purchase or assume Franchisee's interest in the Franchised Business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "Assets" means leasehold improvements, all kitchen equipment, furnishings, fixtures, and technology items (as described in Section XII.I), signage, products, inventory (such as non-perishable products, ingredients, supplies, merchandise, forms, or materials in addition to all advertising and marketing materials) and the lease or sublease for the Business. This right is governed by time limits and procedures described in this Agreement with respect to our right of first refusal in the event of an assignment. If we exercise our right of first refusal, Franchisee must transfer Franchisee's interest in the Franchised Business and in the Assets.

If Franchisee is selling its Assets, we shall have the right (but not the duty), to be exercised by notice of our intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets and items bearing our Names and Marks, at fair market value (less the amount of any outstanding liens or encumbrances). In the event that we and Franchisee cannot agree on fair market value, then the fair market value shall be determined in good faith by an independent third-party appraisal. We and Franchisee shall mutually agree upon an appraiser. If we and Franchisee cannot agree on one appraiser, then we and the Franchisee shall each select one independent, qualified appraiser and the two shall select a third appraiser and all three shall determine the fair market value of the Assets we have elected to purchase. If the difference between the appraisal of the Franchisee's appraiser is greater than the difference between the appraisal of our appraiser and the independent appraiser, the Franchisee shall pay all costs and expenses of the three appraisers. Otherwise all expenses of the third appraiser shall be equally shared by us and we and Franchisee shall each be responsible for the expenses incurred by our respective appraisers. For any items that display the Marks such as: any décor, signage, marketing, advertising and/or promotional materials (regardless of when the item was purchased), the fair market value is agreed to be zero. However, for any of our Proprietary Products or products that display our Marks, fair market value shall be deemed to be twenty percent (20%) of the Assets original cost, regardless of when such items were purchased (however if any such items are expired or damaged for example: seals are broken, packages are either torn, stained, discolored, broken, destroyed or otherwise unsellable) the fair market value is agreed to be zero. We and Franchisee agree that the terms and conditions of our right and option to purchase the Assets may be recorded, if deemed appropriate by us. If we elect to exercise our option to purchase the Assets as herein provided, we shall have the right to set off any amounts due from Franchisee.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the Assets of the Franchised Business.

H. Franchisee Must Pay Monies Owed to Franchisor; Liquidated Damages

Franchisee shall pay to us or our affiliates, within thirty (30) days after the effective date of termination of this Agreement, such Royalty Fees, System Advertising Fund Fees, other advertising fees, payments or any other sums owed to us or our affiliates by Franchisee, which are then unpaid. Franchisee shall pay to us or our affiliates all damages, costs, and expenses, including reasonable attorney's fees, incurred by us in obtaining injunctive or other relief for the enforcement of any provisions of Sections XIX and XXIV.

In the event of termination of this Agreement prior to its expiration date, Franchisee acknowledges that the parties have considered the following in determining the amount of liquidated damages ("Damages"): (i) that the amount of Damages is reasonable under the circumstances existing at the time this Agreement is made; (ii) that the amount of Damages bears a rational relationship to the damages the parties anticipate would flow from the breach of this Agreement; (iii) the agreement to the amount of the

Damages is necessary because actual damages are difficult or impossible to prove; and (iv) the amount of the Damages are not so large that they act as a penalty. Franchisee accordingly agrees that in such event it shall be obligated to pay to us, the amount of the Damages which is the total of all Royalty Fees and System Advertising Fee payments that we would have received, if this Agreement remained in effect until its scheduled expiration date, subject to the following: This amount of Damage shall be calculated by adding together the average monthly Royalty Fee payments and the average System Advertising Fund Fee payments that were paid to us during the previous twelve (12) months for either the remaining term of this Agreement or two (2) years (whichever comes first). If the Franchisee has not made twelve (12) months of payments, then the number of payments it has made will be used to calculate the average of Royalty Fee and System Advertising Fund Fee payments. Such payments shall be due to us within thirty (30) days after the effective date of termination.

XXV. PROVISIONS RELATING TO ENFORCEMENT

A. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that he or she will not withhold payments of any Royalty Fees, System Advertising Fees or any other amounts of money owed to us for any reason, on grounds of alleged nonperformance by us of any obligation. All such claims by Franchisee shall, if not otherwise resolved by us and Franchisee, be submitted to mediation and/or arbitration as provided in this Agreement. The Franchisee has no right of offset or set off to any amounts due and owing to us.

B. Severability

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

C. Mediation

The Parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration as set forth in Section XXV.D. Any party to this Agreement may initiate mediation by serving a written demand on the other party stating the particulars of the demand being served. Mediation fees shall be divided equally among the parties involved. Before any mediation commences, the parties will agree to a date and/or certain event which will constitute a completion of the mediation process. All mediations shall be held in Prince William County, Virginia. If, for any dispute or claim to which this paragraph applies, any party commences an action without first attempting to resolve the matter through mediation or refuses to mediate within ninety (90) days after a request has been made, then the other party ("Mediating Party") shall be entitled to recover attorney's fees and costs, even if such Mediating Party was not otherwise entitled to recover its attorney fees and cost in any arbitration or legal action between the Parties pursuant to the terms of this Agreement. This mediation provision applies whether or not the arbitration provision is initiated. The requirement to pay the Mediating Party's attorney's fees and costs applies regardless of whether the other party waits until the expiration of the ninety (90) day period to file the arbitration and applies as long as said party refuses to attend mediation. Mediation shall be held at the same venue as for arbitration as described in Section XXV.D.

D. Arbitration

Except as we elect to enforce this Agreement by judicial process, injunction, or specific performance (as provided below), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by us, or any obligation of us, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or us, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration in Prince William County, Virginia. Arbitration must be in accordance with the then current Commercial Rules of the American Arbitration Association (“AAA”) and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al; and provided that at our option or the Franchisee’s option, the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association which could include an attorney with twenty (20) years or more franchise experience. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of the AAA. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 1-3 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. The Parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The Party having an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on the claim. Otherwise the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the Virginia Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless specifically provided for by applicable statute, no punitive or exemplary damages shall be awarded against either us or Franchisee, or entities related to us/it, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of us or of Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and we shall fully perform our respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally, and the prevailing party shall be entitled to their attorney fees, provided should there be no prevailing party each party shall pay their own attorney fees.

The requirement to arbitrate under this arbitration provision as well as to mediate under the mediation provision in Section XXV.C shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as we deem to be necessary or appropriate to compel Franchisee to comply with Franchisee’s obligations to us and/or to protect the Names and Marks or any claim or dispute involving or contesting the validity of any of the Names and Marks, or any claim or dispute involving any of the Confidential Information, trade secrets, or copyrights provided by us to the Franchisee under this Agreement.

E. Rights of Parties Are Cumulative

The rights of us and Franchisee are cumulative, and the exercise or enforcement by us or Franchisee of any right or remedy shall not preclude the exercise or enforcement by us or Franchisee of any other right or remedy hereunder which we or Franchisee are entitled by law to enforce by the provisions of this Agreement or of the Operations Manual. In addition, both Parties agree that during any type of dispute or claim neither Party will attempt to: publish any proceedings, make any publicly available claims; or make any disparaging statement which could tarnish the reputation of the other Party.

F. Judicial Enforcement, Injunction and Specific Performance

Notwithstanding anything to the contrary contained in Section XXV.D above relating to arbitration, we shall have the right to enforce by judicial process our right to terminate this Agreement for the causes enumerated in Section XXIII of this Agreement, to collect any amounts owed to us for any unpaid Royalty Fees, or other unpaid fees or charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights we may have under any leases, subleases, sales, purchases, or security agreements or other agreements with Franchisee. We shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If we secure relief by judicial enforcement, Franchisee agrees to pay to us an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel, accommodations, food, other expenses, and any damages incurred by us as a result of the Franchisee's breach of any provision of this Agreement.

G. Virginia Law Applies

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of Virginia, and the sole and exclusive venue for arbitration or litigation shall lie in Prince William County, Virginia, or in the applicable United States District Court.

H. Attorney Fees

If either party incurs any expenses (including but not limited to reasonable attorneys' fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by arbitration or legal action, the prevailing party shall be entitled to recover such expenses directly from the other.

I. Binding Effect

This Agreement is binding upon the Parties hereto and their respective permitted assigns and successors in interest.

J. Entire Agreement/Integration/No other Agreements/Manual(s) May Change

This Agreement and the exhibits to this Agreement constitute the final, complete, and exclusive agreement of the Parties with respect to the subject matter hereof and supersedes and merges all prior discussions between the Parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to Franchisee. No amendment to this Agreement shall be binding on either party unless mutually agreed to by the parties in writing. The Operations Manual may be amended at any time by us, and Franchisee shall adopt its methods or procedures to comply with the requirements thereof.

K. Force Majeure

Except for monetary obligations or as otherwise specifically provided in this Franchise Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, pandemics, or other causes beyond the reasonable control of the party required to perform such work or

act under the terms of this Agreement through no fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in this Franchise Agreement.

XXVI. NOTICES

Any and all notices permitted or required to be given hereunder shall be deemed duly given: (i) upon actual receipt if delivery is by hand; or (ii) upon receipt by the transmitting party of a confirmation or return response when delivery is by facsimile or email; (iii) forty-eight (48) hours after deposit to a reputable overnight carrier with confirmation sent or being available, or (iv) seventy-two (72) hours after deposit into the United States mail if delivery is by postage prepaid, registered or certified, return receipt requested mail. Each such notice shall be sent to the respective party at the address indicated in this Agreement or to any other address as the respective party may designate by notice delivered pursuant to this Agreement.

XXVII. COUNTERPART

This Agreement and any amendments or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by both of the Parties hereto. A signed copy of this Agreement delivered by email, DocuSign, or other means of electronic transmission (to which a PDF copy is attached) will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

XXVIII. TIME IS OF THE ESSENCE

Time is of the essence. The parties to this Agreement hereby agree that time is of the essence with respect to each of their respective duties and obligations under this Agreement.

XXIX. APPROVALS AND WAIVERS

Whenever this Agreement requires our prior approval or consent, Franchisee shall make a timely written request to us therefore, and such approval or consent shall be obtained in writing.

We make no warranties or guarantees upon which Franchisee may rely, and assume no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request thereof.

No failure of us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Waiver by us of any particular default or breach by Franchisee shall not affect or impair our rights with respect to any later default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by us to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXX. AUTHORITY

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or

partnership, warrant to us, both individually and in their capacities as Owners, partners, managers, members, shareholders, directors and officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section XXII.

XXXI. FURTHER REPRESENTATIONS AND WARRANTIES BY THE FRANCHISEE

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, our Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine our Disclosure Document and was furnished with copies of the documents and Franchisee (and any Owner) represents that he/she has such authority on behalf of itself to execute this Agreement and is not bound by any other agreement. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE AND ALL OF ITS OWNERS HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE AND ITS OWNERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND ITS OWNERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND ITS OWNERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVESTMENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE FRANCHISE DISCLOSURE DOCUMENT OF OTHER CURRENTLY AND PREVIOUSLY OPERATED CUPCAKE HEAVEN® FRANCHISES.



IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Cupcake Heaven, LLC Franchise Agreement in duplicate on this date _____ 20 ____.

FRANCHISOR:

Cupcake Heaven, LLC

Address for Notices:
Cupcake Heaven, LLC
6630 Jefferson Street
Haymarket, VA 20169
Telephone: (703) 754-6300
Email: MarkV@CupcakeHeaven.com
Attn: Mark Vincellette

Signed: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

Address for Notices:

Telephone: _____

Fax: _____

Attn: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Dated: _____

SCHEDULE 1
CUPCAKE HEAVEN, LLC
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEPOSIT)

BY AND BETWEEN CUPCAKE HEAVEN, LLC AND _____
("FRANCHISEE") DATED _____ 20____.

The undersigned depositor ("DEPOSITOR") hereby authorizes Cupcake Heaven, LLC ("FRANCHISOR") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit such account pursuant to FRANCHISOR's instructions.

DEPOSITORY

Branch

Address

City, State and Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until DEPOSITORY has received joint written notification from FRANCHISOR and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity on which to act. If an erroneous debit entry is initiated to DEPOSITOR's account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within 15 calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

DEPOSITOR

FRANCHISOR

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

SCHEDULE 2
CUPCAKE HEAVEN, LLC
PRE-EXISTING BUSINESSES

As a condition precedent to the effectiveness of the Franchise Agreement and in consideration of the terms and conditions of the Franchise Agreement, Franchisee represents and warrants to Franchisor as follows:

1. Individually and as an entity owned by [Franchisee and or affiliates of Franchisee] currently operate a business known as _____ (“Pre-Existing Business”).
2. Any and all existing franchise agreements, stockholder agreements, partnership agreements, operating agreements or any other third-party rights relating to the Pre-Existing Business, do not contain any covenants, terms and conditions which do now, or may in the future, prohibit the execution of the Franchise Agreement and the participation of any of the Owners, managers, or employees of the Franchisee in the Franchised Business; and
3. Other than the consents of Franchisee and Franchisor there is no other third-party consent required for the acquisition of the Franchise to be legally binding and effective; and
4. There are no existing restrictive covenants, other than those which the Pre-Existing Business has waived, binding on Franchisee or any of its partners, owners, agents, representatives, or employees that would be breached by the acquisition and operation of the Franchised Business obligations of Franchisee to Franchisor, and
5. The Pre-Existing Business provides the following goods and services to its customers at the following locations:

5.1 Goods and services of Pre-Existing Business(s)

5.2 Location(s) of Pre-Existing Goods Business(s)

and from the date hereof will continue to operate as [an independent organization] and shall not carry out any other businesses directly or indirectly competing with the Franchised Business, and

6. Franchisee shall convert the entire Pre-Existing Business into the Franchised Business and shall hence forth operate that business as a Franchised Business under the trade name “Cupcake Heaven[®]”, and
7. Franchisee agrees that any business currently operated or to be operated by any affiliate of Franchisee outside of the Franchised Business which later becomes a part of the Franchised Business shall be folded into the Franchised Business after notice and approval by us, and
8. Franchisee shall indemnify, defend and hold harmless us and our affiliates, against all losses, costs, proceedings, judgments, liabilities, expenses, court costs, and reasonable fees of attorneys and other professionals, arising out of or resulting from any breach of the representations and warranties set out in this Schedule or in connection with any willful or negligent act or omission

of Franchisee or Franchisee's employees or agents, including but not limited to such act or omission that contributes to any economic damage, bodily injury, sickness, disease or death. This indemnity shall survive termination of the Franchise Agreement.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____

SCHEDULE 3
CUPCAKE HEAVEN, LLC
EXECUTIVE ORDER 13224 AND RELATED CERTIFICATIONS

If the Franchisee is an individual or individuals, the Franchisee certifies that he/she/they are not, nor to my/our best knowledge have I/us been designated, a terrorist and/or a suspected terrorist, nor am I/us associated and/or affiliated in any way with any terrorist and/or suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

If the Franchisee is a company, the person(s) signing on behalf of the Franchisee certify(ies) that, to the Franchisee's and such person's best knowledge, neither the Franchisee, such person, and/or any owners, officers, board members, similar individuals and/or affiliates/associates of the Franchisee have been designated, a terrorist and/or a suspected terrorist, nor is the Franchisee or any such persons and/or affiliates/associates owned, controlled, associated and/or *affiliated* in any way with any terrorist and/or a suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

Franchisee agrees to fully comply and/or assist Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations, including properly performing any currency reporting and other obligations, whether relating to the Franchise or otherwise, and/or required under applicable law. The indemnification responsibilities provided in the Franchise Agreement cover the Franchisee's obligations hereunder.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____

SCHEDULE 4
CUPCAKE HEAVEN, LLC
ADA & RELATED CERTIFICATIONS

Cupcake Heaven, LLC (“Franchisor/we/us/our”) and _____
 (“Franchisee”) are parties to a franchise agreement dated, _____ 20____ (the “Franchise Agreement”)
 for the operation of a Cupcake Heaven® Business (the “Business”).

In accordance with Section XII.C of the Franchise Agreement, Franchisee certifies to us that the Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by us does not constitute ownership, control, leasing, or operation of the Business. Franchisee acknowledges that we have relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify us, our members, managers, officers, employees and agents, and each and all of the Franchisor-Related Entities, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party (ies) as a result of any matters associated with Franchisee’s compliance (or failure to comply) with the Americans with Disabilities Act, all local zoning regulations and building codes and otherwise, as well as the costs, including attorneys’ fees, related to the same.

FRANCHISEE

Signed: _____

Printed Name: _____

Title: _____

Date: _____

SCHEDULE 5
CUPCAKE HEAVEN, LLC
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY
(USE FOR CORPORATE, PARTNERSHIP OR OTHER ENTITY FRANCHISEE)

This Guaranty is a Schedule to the Franchise Agreement between Cupcake Heaven, LLC (“Franchisor”) and _____ (“Franchisee”) dated the _____ day of _____, 20__.

1. The undersigned agree, individually and on behalf of his or her marital community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity, and non-disclosure provisions.
2. Each Guarantor has consulted legal counsel of his/her own choosing as to his/her responsibilities and liabilities under this Guaranty.
3. Each Guarantor waives:
 - (a) Notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed;
 - (b) Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed;
 - (c) Any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability;
4. Each Guarantor consents and agrees that:
 - (a) Liability under this Guaranty is joint and several with any other guarantor and the Franchisee;
 - (b) Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;
 - (c) Each will individually comply with the provisions and all subsections of the Agreements and associated documents;
 - (d) Liability is not contingent or conditioned on Franchisor’s pursuit of any remedies against Franchisee or any other persons; and
 - (e) Liability is not affected by any extension of time, acceptance of part performance, release of claims, or other compromise that Franchisor may grant Franchisee or other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

- (f) Each waives acceptance and notice of acceptance by Franchisor; waives notice of demand, and waives protest and notice of default, except as may be required by the Franchise Agreement.

5. Each Guarantor further hereby consents and agrees that:

- (a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of Franchisee, other guarantors, and the other owners of the Franchisee;
- (b) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by an abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or any remedy for enforcement resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;
- (c) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and;
- (d) Guarantor agrees to pay all reasonable attorneys' fees and costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.
- (e) Guarantor agrees to be personally bound by the arbitration obligations under Section XXV.D of the Agreement, including without limitation, the obligation to submit to binding arbitration the claims described in Section XXV.D of the Agreement in accordance with its terms.

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

Dated on the _____ day of _____ 20____.

(Set forth the name, address, and percentage ownership of each owner of Franchisee, their spouse, and their percentage ownership, if applicable):

NAME	ADDRESS	PERCENTAGE
_____ Signed	_____ _____ _____	_____
_____ Printed	_____ _____	

Signed _____

Printed _____

Signed _____

Printed _____

Signed _____

Printed _____

SCHEDULE 6
CUPCAKE HEAVEN, LLC
COLLATERAL ASSIGNMENT OF LEASE

Franchisee: _____

Franchisor: Cupcake Heaven, LLC

Date of this Collateral Assignment of Lease (the "Assignment"): _____

The Franchisee, to effect various provisions of that certain Franchise Agreement dated _____, 20 __, by and between Franchisee and Franchisor (the "Franchise Agreement"), hereby collaterally assigns to Franchisor (subject to the terms and conditions below) all of Franchisee's right, title and interest in, to and under that certain lease (the "Lease") dated _____ 20 __, between Franchisee and _____, ("Landlord"), for that property commonly known as: _____ (the "Premises"), a copy of which Lease is attached to this Assignment.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

No material modification or amendment of the Lease shall occur or be effective without the prior written consent of Franchisor. Landlord will not consent or allow Franchisee to assign the Lease or sublease the Premises without Franchisor's prior written consent, which shall not be unreasonably withheld.

Except as provided in the Franchise Agreement, the Franchisor will not take possession of the Premises under this Assignment until and unless there is a default by Franchisee under the Lease or a termination, cancellation, rescission or expiration of the Franchisee's rights, or a default by Franchisee, under the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take possession of the Premises and assume the Franchisee's rights under the Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord's further consent. The Franchisee will fully cooperate therewith and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and, in any event, the Franchisor will only be responsible for those obligations accruing with respect to the Lease after the date of such express assumption. Upon taking possession of the Premises, Franchisor shall be obligated from that date forward to perform all of the duties and obligations of Franchisee under the Lease. Franchisor shall notify Landlord, in writing, within five (5) days of taking possession of the Premises.

The Franchisee will not permit any surrender, termination, amendment, or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may to the extent consistent with the United States Bankruptcy Code (but has no obligation to) do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit,

Franchisor and Franchisee, and their respective successors and assigns. With respect to Franchisor and Franchisee the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. As between Landlord and Franchisor and/or Franchisee, the dispute resolution provisions of the Lease shall apply.

In the event Franchisee shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Landlord shall give written notice thereof to Franchisor and Franchisor shall have the right (but not the obligation) to cure such default. Landlord shall not take any action with respect to such default under the Lease, including without limitation any action in order to terminate, rescind or avoid the Lease, for a period of fifteen (15) days following expiration of any cure period Franchisee may have under the Lease with respect to such default; provided, however, that in the case of any default which cannot with diligence be cured within said additional fifteen (15) day period, if Franchisor proceeds promptly to cure such default and thereafter prosecutes the curing of such default with diligence and continuity, the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

Landlord will recognize and accept the performance by Franchisor of any act or thing required to be done by Franchisee under the terms of the Lease and will accept such performance as if it were performed by Franchisee.

Landlord agrees that in any case commenced by or against Franchisee under the United States Bankruptcy Code, the Franchisor shall have standing to appear and act as a party to the Lease for purposes of the Bankruptcy Code, (but shall not have any obligations under the Lease unless Franchisor expressly assumes the Lease). Landlord shall, during Franchisee's bankruptcy case, serve on the Franchisor a copy of all notices, pleadings or documents which are given to Franchisee, and service shall be contemporaneous with and in the same manner as given to Franchisee. If the Lease or Franchisee's rights under the Lease are terminated, whether by reason of default of Franchisee or Landlord, rejection of the Lease in any bankruptcy case, voluntary surrender, and acceptance, or otherwise, then Landlord shall give written notice of such termination to Franchisor. Franchisor or its nominee shall have the option, exercisable by written notice to Landlord delivered not later than the 30th day after written notice that the termination has occurred, to receive from Landlord a new lease of the Premises on the same terms and conditions as the Lease, for the remaining term of the Lease (that is, the portion of the term that would remain absent the termination and the conditions or events causing the same), and such same terms and conditions shall include any extension rights provided for in the Lease.

Any notice or other communication required or permitted to be given under this Assignment shall be in writing and addressed to the respective party as set forth below. Notices shall be effective (i) on the next business day if sent by a nationally recognized overnight courier service, (ii) on the date of delivery by personal delivery and (iii) on the date of transmission if sent by facsimile during business hours on a business day (otherwise on the next business day) (with receipt of confirmation). Any party may change the address at which it is to receive notices to another address in the United States at which business is conducted (and not a post-office box or other similar receptacle), by giving notice of such change of address in accordance with this provision.

Notices to Franchisor, Franchisee or Landlord shall be addressed as follows:

Landlord: _____

This Assignment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

If any portion or portions of this Assignment shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

This Agreement shall be governed by and construed in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

FRANCHISEE:

Signature

Printed Name

Signature

Printed Name

LANDLORD

by _____

its _____

FRANCHISOR:

Cupcake Heaven, LLC

by _____

its _____

SCHEDULE 7
CUPCAKE HEAVEN, LLC
STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

- A. The following is a list of all managing partners, partners, members, managers, shareholders, other Owners, investors in Franchisee (including all investors who own or hold direct or indirect interest in Franchisee) as well as all Franchisee's Principals described in and designated pursuant to Section XIX.B of the Franchise Agreement. A description of the nature of their interest is also provided below.

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

- B. In addition to the persons listed in paragraph A., the following is a list of all Franchisee's Principals described in and designated pursuant to Section XIX.B of the Franchise Agreement. Unless designated as a controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement in the form set forth in Schedule 8.

SCHEDULE 8
CUPCAKE HEAVEN, LLC
CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into _____, 20____, between Cupcake Heaven, LLC, a Nevada limited liability company (hereinafter referred to as “Franchisor/we/us/our”) and, _____ (hereinafter referred to as “You”).

RECITALS:

WHEREAS, we have acquired the right to develop a unique system (the “System”) for the development and operation of a cupcake shop that offers a variety of gourmet cupcakes baked onsite, using quality ingredients and proprietary recipes under the name and mark “Cupcake Heaven[®]” (each a “Business”); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the mark Cupcake Heaven[®] and such other trade names, service marks, and trademarks as we may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System’s high standards of quality, appearance and service standards which include our: strategies for site acquisition, build-out, color scheme, layout, design and décor specifications; distinctive Products including unique cupcake flavors and cupcake creations using our proprietary recipes and batters; Product preparation and presentation standards, cooking techniques, methods, procedures including food storage standards; Services and strategies for executing Services; specifications for all products, supplies and kitchen equipment; purchasing strategies, inventory management systems, vendors and supplier relationships, cost and pricing strategies, procedures for cleanliness, safety, sanitation and quality control; operational procedures and Operations Manual, our proprietary treat programs, service standards, methods and techniques; employee hiring, training and retention guidelines; photographs of food and beverage items, video presentations, sales, advertising, social media, marketing, promotional, strategies and materials; proprietary customer acquisition, retention and Loyalty Programs; website, third-party software, forms, contracts, record keeping, reporting procedures and accounting methods all of which may be changed, improved and further developed by us from time to time and are used by us in the operation of the System (“Trade Secrets”); and

WHEREAS, the Trade Secrets provide economic advantages to us and are not generally known to and are not readily ascertainable by proper means by our competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, We have taken and intend to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, We have granted You (individually and/or through ownership of an entity) a limited right to manage and participate in the operation of a Business using the System and the Trade Secrets for the period defined in the Franchise Agreement made and entered into _____, 20____ (“Franchise Agreement”) between You and us; and

WHEREAS, You and we have agreed in the Franchise Agreement on the importance to us and to You and other licensed users of the System of restricting use, access, and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain of you to have access to and to use some or all of the Trade Secrets in the management and operation of your Business using the System; and

WHEREAS, You have agreed to obtain from your staff written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, each member of your staff wishes to remain, or wishes to become a staff member; and

WHEREAS, You will receive and use the Trade Secrets in the course of operating your Business;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. We shall disclose to You some or all of the Trade Secrets relating to the System.
2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation of your Business using the System for so long as you are licensed by us to use the System.
3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without our express written permission.
4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to your staff members and then only to the limited extent necessary to train or assist your staff members in the management or operation of your Business using the System.
5. That all information and materials, including without limitation, build out drawings, specifications, techniques, and compilations of data which we shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.
6. You shall surrender the confidential Franchise Operations and Procedures Manual and such other manuals and written materials as we shall have developed ("Manuals") and described in the Franchise Agreement and any other materials containing some or all of the Trade Secrets provided to You by us, upon request, or upon expiration or termination of the Franchise Agreement, or upon conclusion of the use for which the Manuals or other information or materials may have been furnished to your staff.
7. You shall not, directly, or indirectly, commit any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.
8. The Manuals are loaned by us to You for limited purposes only and remain the property of ours and may not be reproduced, in whole or in part, without our written consent.
9. In further consideration for the disclosure to you of the Trade Secrets and to protect the uniqueness of the System, You agree that during the term of the Agreement and for two (2) years following the earlier of the expiration, termination, or transfer of all of your interest in the Franchise Agreement you will not, without our prior written consent:
 - a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Business to any competitor.
 - b. Employ or seek to employ any person who is at the time employed by us or any franchisee or developer of ours, or otherwise directly or indirectly induce such persons to leave that person's employment.

- c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability companies, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same as or similar to the Cupcake Heaven® business including, but not limited to, any other type of bakery or related business offering products and services that are similar to the Products and Services which are or have been offered through a Cupcake Heaven® business or is intended to be, located within a ten (10) mile radius of the Approved Location or any Cupcake Heaven® business (which includes company-owned businesses and/or other franchise businesses) in existence or under construction as of the expiration or termination of, or the transfer of all your interest in, the Franchise Agreement.

10. You undertake to use your best efforts to ensure that your staff acts as required by this Agreement.

11. You agree that in the event of a breach of this Agreement, we would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, we shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to us at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

12. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by us and You in enforcing this Agreement.

13. Any failure by us or You to object or to take action with respect to any breach of this Agreement by You shall not operate or be construed as a waiver of or consent to that breach or any later breach by You.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF VIRGINIA. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN VIRGINIA IN THE JUDICIAL DISTRICT IN WHICH WE HAVE OUR PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, YOU OR WE MAY BRING SUCH ACTION IN ANY COURT IN THE STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

15. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction in an unappealed final decision to which we are a party, You expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter herein. This Agreement may be modified only by a duly authorized amendment executed by all parties.

17. All notices and demands required to be given herein shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex

by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties.

If directed to us, the notice shall be addressed to:

Cupcake Heaven, LLC
6630 Jefferson Street
Haymarket, VA 20169
Attention: Mark Vincellette
Telephone: (703) 754-6300
MarkV@CupcakeHeaven.com

If directed to You, the notice shall be addressed to:

Attention: _____
Facsimile: _____
Telephone: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall be affected by giving fifteen (15) days written notice of such change to the other party.

19. Our rights and remedies under this Agreement are fully assignable and transferable by us and shall inure to the benefit of our successors, assignees, and transferees. The respective obligations of You and your staff herein are personal in nature and may not be transferred or assigned by you or your staff, as applicable.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement, as an entity or in his or her individual capacity, as witnessed by their signatures:

Cupcake Heaven, LLC
a Nevada limited liability company:

Printed Name: _____

Signature: _____

Title: _____

You:

Printed Name: _____

Signature: _____

EXHIBIT B

DIRECTORY OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS

AGENTS FOR SERVICE OF PROCESS

EXHIBIT B

DIRECTORY OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS

FEDERAL

FEDERAL TRADE COMMISSION

Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W.
Room 238
Washington, D.C. 20580
202-326-2970

STATE FRANCHISE REGULATORS & AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

California Department of Financial Protection and
Innovation
2101 Arena Blvd.
Sacramento, CA 95834
866-275-2677

FLORIDA

State Department of Agriculture and
Consumer Services
P.O. Box 6700 Suite 7200
Tallahassee, FL 32314-6700
850-410-3754

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62701
217-782-4465

MARYLAND

Securities Commissioner
Division of Securities
200 St. Paul Place 20th Floor
Baltimore, Maryland 21202-2020
410-576-6360

CONNECTICUT

Connecticut Department of Banking
Securities Division
260 Constitution Plaza
Hartford, Connecticut 06103
800-831-7225

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street Room 205
Honolulu, Hawaii 96813
808-586-2722

INDIANA

Chief Deputy Commissioner
Securities Divisions
302 West Washington Street Room E-111
Indianapolis, Indiana 46204
317-232-6681

MICHIGAN

Consumer Protection Division
Franchise Administrator
G. Mennen Williams Building 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
517-373-7117

MINNESOTA

Minnesota Department of Commerce
Securities Section
85 Seventh Place East Suite 500
St. Paul, Minnesota 55101
651-539-1600

NORTH DAKOTA

Franchise Examiner
600 East Boulevard
State Capitol 5th Floor
Bismarck, North Dakota 58505
701-328-2910

RHODE ISLAND

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue Bldg. 69-2
Cranston, Rhode Island 02920
401-462-9527

SOUTH DAKOTA

Franchise Administrator
Division of Securities
124 S. Euclid Ave Suite 104
Pierre, South Dakota 57501
605-773-4823

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main St, 1st Floor
Richmond, Virginia 23219
804-371-9733

State Administrator:
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main St. 9th Floor
Richmond, Virginia 23219
804-371-9051

NEW YORK

New York Secretary of State
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231
518-473-2492

New York State Department of Law
Investor Protection Bureau
120 Broadway 23rd Floor
New York, New York 10271
212-416-8236

SOUTH CAROLINA

Secretary of State
1205 Pendleton St Suite 525
Columbia, South Carolina 29201
803-734-2170

TEXAS

Registration Unit
Secretary of State
P.O. Box 13193
Austin, Texas 78711-2697
1019 Brazos
Austin, Texas 78701
512-463-5701

WASHINGTON

Securities Administrator
150 Israel Road SW
Tumwater, Washington 98501
360-902-8760

WISCONSIN

Franchise Registration
Divisions of Securities
P.O. Box 1768
Madison, Wisconsin 53701
608-261-9140

EXHIBIT C

FRANCHISE DISCLOSURE QUESTIONNAIRE

EXHIBIT C
FRANCHISE DISCLOSURE
QUESTIONNAIRE

As you know, Cupcake Heaven, LLC (“we,” “us” or “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a Cupcake Heaven® Franchised Business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials _____

If “No,” what parts of the Franchise Agreement do you not understand?
(Attach additional pages, if necessary)

3. Have you received and personally reviewed the Disclosure Document we provided to you?

Yes _____ No _____ Your Initials _____

4. Do you understand all of the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

If "No," what parts of the Disclosure Document do you not understand?
(Attach additional pages, if necessary)

5. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant, or other professional advisor and/or do you understand the risks?

Yes _____ No _____ Your Initials _____

6. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?

Yes _____ No _____ Your Initials _____

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

8. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchised Business?

Yes _____ No _____ Your Initials _____

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?

Yes _____ No _____ Your Initials _____

10. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____ Your Initials _____

12. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

13. If you have answered “Yes” to any of questions 7 through 13, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

If you have answered “No” to all of questions 7 through 13, please leave the following lines blank.

14. Do you understand that in all dealings with you, our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes _____ No _____ Your Initials _____

You understand that your answers are important to us and we will rely on them. By signing this Questionnaire, you, on behalf of yourself (and your franchise entity) are representing that you have responded truthfully to the above questions.

Signature
(individually and on behalf of franchise entity)

Print Name

Date

EXHIBIT D

STATE ADDENDA

EXHIBIT D

STATE LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the Cupcake Heaven, LLC Disclosure Document and will supersede, to the extent then required by applicable state law, certain portions of the Franchise Agreement dated _____, 20____.

I. FRANCHISOR/FRANCHISEE RELATIONSHIP STATUTES (Including Renewal and Termination Rights)

For franchises governed by laws of the following states:

CALIFORNIA, COLORADO, HAWAII, ILLINOIS, INDIANA, IOWA,
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND,
SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise:

ARKANSAS	Stat. Section 4-72-201 to 4-72-210
CALIFORNIA	Corporations Code Sections 31000 to 31516
CONNECTICUT	Gen. Stat. Section 42-133e to 42-133n
DELAWARE	Code, Tit. 6, Ch. 25, Sections 2551-2557
HAWAII	Rev. Stat. Section 482E-1 to 482E-12.
ILLINOIS	Rev. Stat. 815. ILCS 705/19 and 705/1 to 705/44
INDIANA	Stat. Sections 23-2-2.5.1 and 23-2-2.5.50
IOWA	Code Sections 523H.1 to H.17
MARYLAND	Business Regulation Code Ann. 14-201 to 14-233
MICHIGAN	Stat. Section 445.1501 to 445.1545
MINNESOTA	Stat. Section 80C.01 to 80C.22
MISSISSIPPI	Code Section 75-24-51 to 75-24-61
MISSOURI	Stat. Section 407.400 to 407-420
NEBRASKA	Rev. Stat. Section 87-401 to 87-414
NEW JERSEY	Stat. Section 56:10-1
NEW YORK	NY Gen. Bus 680 to 695.
RHODE ISLAND	Gen. Laws 6-50-1 to 6-50-9
VIRGINIA	Code 13.1-557-57 to 13.1-574
WASHINGTON	Code Section 19.100.01 to 19.100.940
WISCONSIN	Stat. Section 135.01 to 135.065

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In addition,

ILLINOIS Illinois franchisees should note that the conditions under which your franchise can be terminated, and your rights upon non-renewal are governed by Illinois laws, Illinois Compiled status 815 ILCS 709/19 and 709/20.

Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

INDIANA Indiana franchisees should note that Indiana Law provides that it is unlawful for a Franchise Agreement to contain certain provisions in the area of required purchases, modification, competition, increases in the price of goods on order termination and non-renewal, covenants not to compete, and limitations on litigation. Indiana law also prohibits franchisors from engaging in certain acts and practices, including coercion, refusing delivery of goods or services, denying the surviving spouse or estate of the Franchisee an opportunity to participate in the ownership of the franchise, unreasonable competition, unfair competition, unfair discrimination among franchisees, and using deceptive advertising.

MINNESOTA law requires that with respect to the franchises governed by Minnesota law, the Franchisor will comply with Minnesota. Statute 80C.14 subdivisions 3, 4, and 5 which require except in certain specific cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80C.12, to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify us from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17.Subd.5.

(Signature of Franchisee)

(Name of Franchisee)

(Title)

RHODE ISLAND Notwithstanding anything in this Agreement to the contrary, all Rhode Island located franchisees will be governed by the Rhode Island Franchise Investment Act.

WASHINGTON If any of the provisions of this Franchise Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over inconsistent provisions of the Franchise Disclosure Document and the Franchise Agreement with regard to any franchise sold in Washington.

WISCONSIN Chapter 135, Stats. Of the Wisconsin Fair Dealership Law supersedes any provisions of the Franchise Agreement that may be inconsistent with that law.

II. POST-TERM COVENANTS NOT TO COMPETE

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, HAWAII, ILLINOIS, INDIANA,
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA,
RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON,
WISCONSIN

These states have statutes which limit the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

California Business and Professions Code	Sections 16,600 to 16.607
Michigan Compiled Laws	Section 445.771 et seq.
Montana Codes	SECTION 30-14-201
North Dakota Century Code	Section 9-08-06
Oklahoma Statutes	Section 15-217-19
Washington Code	Section 19.86.030

Other states have court decisions limiting the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

III. TERMINATION UPON BANKRUPTCY

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, ILLINOIS, INDIANA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON,
WISCONSIN

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

IV. LIQUIDATED DAMAGES PROVISIONS

The following states have statutes which restrict or prohibit the imposition of liquidated damages provisions:

CALIFORNIA	Civil Code Section 1671
INDIANA	IC 23.2-2.5-2
MINNESOTA	Rule 2860.4400

State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.

For franchises governed by the laws of the state of MINNESOTA, liquidated damage provisions are void.

V. STATE ADDENDUMS

The following are Addendums for Franchises governed by the laws of the respective states as follows:

CALIFORNIA

The registration of this franchise offering by California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document.

The franchisor, any person or franchise broker in Item 2 of the FDD is not 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.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

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.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Prince William County, Virginia with the costs being borne by the prevailing party. Prospective franchisees 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.

The Franchise Agreement requires application of the law of Virginia. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31 000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

The franchise agreement contains provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

OUR URL IS: WWW.CUPCAKEHEAVEN.COM WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV

ILLINOIS

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration in a venue outside of Illinois.

The governing law or choice of law clause described in the Disclosure Document (including a risk factor on the cover page) and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application for the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Item 5 of the Disclosure Document and Section 4.1 of the Franchise Agreement is hereby amended if the Attorney General of Illinois requires the following: to provide that all initial franchise fees are deferred, or alternatively, deposited into escrow, until all Franchisor's pre-opening obligations to franchisee have been met and the franchisee is open for business. This deferral requirement has been imposed by the Illinois Attorney General's Office based upon Franchisor's financial condition. A financial assurance is not required as a condition of registration.

Illinois law requires that the Franchisor give you a copy of the Disclosure Document as registered with the Attorney General together with a copy of all proposed agreements relating to the sale of the franchise before the earlier of:

1. 14 days before our execution of a binding Franchise Agreement or other agreement, and
2. 14 days before the Franchisor receives any payment from you.

Your rights upon termination and non-renewal of the Franchise Agreement are set forth in Section 19 and Section 20 of the Illinois Franchise Disclosure Act.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

CUPCAKE HEAVEN, LLC.

FRANCHISEE

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

INDIANA

To the extent that Item 17 of the Disclosure Document and Section XVIII of the Franchise Agreement re inconsistent with the Indiana Deceptive Franchise Practice Law, which prohibits a prospective general release of any claims for liability imposed under it, the Indiana Deceptive Franchise Practice Law may supersede such inconsistent terms.

To the extent that Item 17 of the Disclosure Document and Section XXIV and Schedule 8 of the Franchise Agreement are in conflict with Section 2.7-1(9) of the Indiana Deceptive Franchise Practice Law, prohibiting non-competition agreements exceeding 3 years or an area greater than the exclusive area granted in the Franchise Agreement, Indiana law shall prevail.

Section 2.7-1(10) of the Indiana Deceptive Franchise Practice Law, which prohibits limiting litigation brought for breach of the agreement, supersedes items in this Disclosure Document and Franchise Agreement, to the extent that such items are inconsistent with Section 27-1(10) of the Indiana Deceptive Franchise Practice Laws.

MARYLAND

Item 17 of Disclosure Document and Section XXII of the Franchise Agreement requiring that franchisee sign a general release as a condition of purchase/renewal or assignment/transfer, may not be enforceable pursuant to the Maryland Franchise Registration and Disclosure Law, and are amended to the extent required by Maryland law. The requested release shall not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Any provisions of the Disclosure Document or Franchise Agreement that require franchisee to disclaim the occurrence of or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Provisions in the Disclosure Document and Franchise Agreement requiring franchisee to file any lawsuit in a court other than the State of Maryland may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Disclosure

Document and Section XXV of the Franchise Agreement are amended accordingly to the extent required by Maryland law.

To the extent that Franchise Agreement requires and the Disclosure Document discloses that a Franchisee must agree to a period of limitations of less than three years, this limitation to a period of less than three years shall not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 5 of the Disclosure Document and Sections IX(C) of the Franchise Agreement is amended to provide that the initial franchise fee and any other initial payments are due and payable when all Franchisor's pre-opening obligations to franchisee have been met.

On the next page is the form of release that will be requested of Maryland franchisees as a condition to the franchisor's consent to the transfer of the franchise.

FORM OF RELEASE FOR MARYLAND FRANCHISEES

This Release is made on _____, 20____, between Cupcake Heaven, LLC, a Nevada limited liability company ("Franchisor") and its officers, directors, and agents ("Affiliates"), and _____ ("Franchisee").

RECITALS

- A. Franchisor and Franchisee entered into a Franchise Agreement dated _____, 20____ (the "Franchise Agreement") in which Franchisor granted franchisee the right to located, develop, and operate a Cupcake Heaven® business (the "Franchised business"), and Franchisee assumed obligations to located, develop, and operate the franchised Business.
- B. As a condition to Franchisor's consent to the transfer of the Franchised Business, Franchisee is willing to release franchisor from certain obligations arising from the Franchise Agreement and related agreements, and any claims franchisee may have against each Franchisee as described herein.

AGREEMENT

1. RELEASE AND COVENANT NOT TO SUE

Subject to the terms of this Release, and in consideration for the consent described above, Franchisee and the undersigned individual guarantors, if applicable, hereby release and discharge and hold harmless Franchisor, its principals, agents, shareholders, officers, directors, employees, successors, assigns, subsidiaries, and affiliated groups and each of them ("Affiliates"), from any and all losses, claims, debts, demands, liabilities, actions, and causes of action, of any kind, whether known or unknown, past or present, that any of them may have or claim to have against Franchisor or its Affiliates and any of them before or on the date of this release, arising out of or related to the offer, negotiation, execution, and performance of the Franchise Agreement, the operation of the Franchised Business, and all circumstances and representations relating to such offer, negotiation, execution,

performance, and operation (collectively, “Released Claims”, except as specifically reserved:

Franchisee and guarantors agree that Released Claims shall specifically include any claim or potential claims under the Title 14 Sections 14-201 through 14-233 of the Maryland Annotated Code and laws otherwise governing relationships between franchisors and franchisees. Franchisee and guarantors hereby covenant and agree that none of them will bring any action against Franchisor or its Affiliates in connection with any Released Claim.

2. NO ADMISSION

Nothing contained in this Agreement shall be construed as an admission of liability by either party.

3. NO ASSIGNMENT

Each party represents and warrants to the other that it has not assigned or otherwise transferred or subrogated any interest in the Franchise Agreement or in any claims that are related in any way to the subject matter of this Release. Each party agrees to indemnify and hold the other fully and completely harmless from any liability, loss, claim, demand, damage costs, expense and attorneys’ fees incurred by the other as a result of any breach of this representation or warranty.

4. ENTIRE AGREEMENT

This Release embodies the entire agreement between the parties and supersedes any and all prior representations, understandings, and agreements with respect to its subject matter. There are no other representations, agreements, arrangements, or understandings, oral or in writing, and signed by the party against whom it sought to be enforced.

5. FURTHER ACTS

The parties agree to sign other documents and do other things needed or desirable to carry out the purpose of this Release.

6. SUCCESSORS

This Amendment and Release shall bind and insure to the benefit of the parties, their heirs, successors, and assigns.

7. GOVERNING LAW; JURISDICTION

This Release shall be construed under and governed by the laws of the State of Maryland, and the parties agree that the courts of Prince William County, Virginia, shall have jurisdiction over any action brought in connection with it, except to the extent that the Franchise Agreement is governed by the laws or venue provisions of another state.

8. SEVERABILITY

If any part of this release is held invalid or unenforceable to any extent by a court of competent jurisdiction, this Release shall remain in full force and effect and shall be enforceable to the fullest extent permitted, provided that it is the intent of the parties that it shall be entire, and if it is not so entire because it is held to be unenforceable, then this Release and the consent given as consideration for it shall be voided by frustration of its purpose.

9. **VOLUNTARY AGREEMENT**

Each party is entering into this Release voluntarily and, after negotiation, has consulted independent legal counsel of its own choice before signing it, is signing it with a full understanding of its consequences, and knows that is not required to sign this Amendment and Release. The parties acknowledge and agree that this Amendment and Release constitutes a release or waiver executed pursuant to a negotiated agreement between a Franchisee and a Franchisor arising after the Franchise Agreement has taken effect and as to which each part is represented by independent legal counsel.

Cupcake Heaven® Franchisee

By _____

Its _____

By _____

Its _____

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 of 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 applied only if:
 - 1. The term of the franchise is less than 5 years; and
 - 2. The Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.
- E. A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- G. A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - 1. The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.
 - 2. The fact that the proposed transferee is a competitor of the Franchisor or Sub-Franchisor.
 - 3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4. 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 bon 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 that 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:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Phone: 517/373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.440J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80c.12), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other

commercial symbol or indemnify us from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17.Subd.5.

NEW YORK

FRANCHISE DISCLOSURE DOCUMENT

The cover page of the Franchise Disclosure Document will be supplemented with the following inserted at the bottom of the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. 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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Franchise Disclosure Document: Add the following:

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, and any person identified in Item 2. The following is added at the end of Item 3:

With regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement,

fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

Item 4 of the Franchise Disclosure Document: Add the following language:

A. Neither the Franchisor, its predecessors, or any person identified in Item 2 filled as an individual or business for protection under the U.S. Bankruptcy Code during the ten-year period immediately before the date of the Disclosure Document:

B. Filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;

C. Obtained a discharge of its debts under the bankruptcy code; or

D. Was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held this position and or company or partnership.

Item 5 of the Franchise Disclosure Document: Add at the end of the last paragraph:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17. Add the following:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”: However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

I. Item 5 is amended by the addition of the following language to the original language:

Refund and cancellation provisions do not apply to franchises operating under the North Dakota franchise Investment Law. If the Company elects to cancel the Franchise Agreement, the Company will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred. This amount may not be more than fifty percent (50%) of the Franchise Fee.

II. Item 5, Note 1, the last paragraph shall be amended to read as follows:

If your Franchise Agreement is terminated, you may be required to continue royalty payments for so long as you or our assignee or successor continues to use our trademarks or systems in any way.

III. Item 6, Note 4, shall be amended to read as follows:

Note 4: You must protect, indemnify, and hold us harmless against any claims or losses arising out of your operation of the franchise business. Each party will bear its own expenses of any litigation to enforce the agreement.

IV. Item 17 is amended by the addition of the following language to the original language:

A. A provision is the Franchise Agreement that terminates the Franchise Agreement on the bankruptcy of the franchisee may not be enforceable under Title II, U.S. Code, Section 101.

- B.** The erosion of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.
- C.** The North Dakota Century Code, Section 9-08-06 limits the franchisor's ability to restrict your ability to restrict your activity after the Franchise Agreement has ended.
- D.** Under North Dakota law, liquidated damages provisions are void. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions. Thus, the provision requiring you to continue to pay amounts to franchisor if you elect to cancel the agreement may not be enforceable under North Dakota law.

V. Item 17 is amended to read as follows:

PROVISION	FRANCHISE AGREEMENT	SUMMARY
Your obligations on termination non-renewal	FA: XXIV	De-Identification, payment, non-disclosure, non-competition; you continue to pay royalties for so long as you use the trademarks if terminated for breach, unless you abandon the business, abide by post termination covenants, and release and indemnify us.

VI. Item 17: The Choice of Law and Arbitration sections are amended to read as follows:

- A.** The Franchise Agreement shall be governed by the laws of North Dakota.
- B.** Except as specifically otherwise provided in the Franchise Agreement, all contract disputes that cannot be amicably settled will be determined by arbitration under the Federal Arbitration Act and in accordance with the rules of the American Arbitration Association. Arbitration will take place at an appointed time and place in the county and state in which your franchised business is located. However, nothing in the Franchise Agreement limits or precludes the parties from bringing an action in a court of competent jurisdiction for injunction or other provisional relief as needed or appropriate to compel a party to comply with its obligations or to protect the marks or the company's other property rights.
- C.** The Choice of Forum section is amended to delete the following:

Any action will be brought in the state or federal courts in Prince William County, Virginia.

FRANCHISE AGREEMENT

- I.** Article IX, concerning refunds of initial franchise fees and royalties, is amended to add the following:

Refund and cancellation provisions do not apply to franchisees operating under the North Dakota Franchise Investment Law. If Franchisor elects to cancel this Franchise Agreement, Franchisor shall be entitled to a reasonable fee for its evaluation of Franchisees and related preparatory work performed and expenses actually incurred. This amount shall be no more than fifty percent (50%) of the franchise fee.

- II.** Sections XXIII and XXII, relating to termination and transfer, are amended to add the following:

The execution of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.

- III.** Section XXIII(H), providing for liquidated damages on termination of the Franchise Agreement, is hereby amended to read as follows:

- h. Pay to Franchisor royalty fees and other ongoing fees, and other amounts Franchisee owes to Franchisor, as though Franchisee were still an active Franchisee, for so long as Franchisee or its assignee or successor continues to use the trademarks in any way. Franchisor is also entitled to all other applicable remedies.

- IV.** Section XXV is amended to read as follows:

In any action to enforce this Agreement or to seek remedies on default by either party, each party shall bear its own expenses of litigation or enforcement.

- V. A.** Section XXV is amended to add the following:

THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT ON ACCEPTANCE AND EXECUTION BY THE COMPANY AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF NORTH DAKOTA, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15, U.S.C. SECTIONS 1015, ET. SEQ.).

- B.** Section XXV (H) providing for exclusive jurisdiction in Prince William County, Virginia is deleted.

- C.** Paragraph XXV to the extent it provides for a limitation of one year on actions under the Franchise Agreement is hereby deleted.

D. Section XXV to the extent it provides for a waiver of punitive or exemplary damages, and a waiver of jury trial, is deleted.

VI. The Arbitration section shall be deleted and amended to read as follows:

Except as specifically otherwise provided in this Agreement, the parties agree that all contract disputes that cannot be amicably settled shall be determined by arbitration under the Federal Arbitration Act as amended and in accordance with the rules of the American Arbitration Association or any successor thereof. Arbitration shall take place at an appointed time and place in the County and State in which Franchisee's franchised business is located. However, nothing contained herein shall be construed to limit or to preclude the parties from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as the parties deem to be necessary or appropriate to compel either party to comply with its obligations hereunder or to protect the marks or other property rights of franchisor.

VII. The Acknowledgement section is amended to add the following:

Franchisee acknowledges that Franchisee received a copy of this Franchise Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

VIII. The Covenants section is amended to add the following:

Covenants not to compete on termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

RHODE ISLAND

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

A provision in a Franchise Agreement restricting jurisdiction of venue to a forum outside this state or requiring the application of the laws of another state are void with respect to a claim otherwise enforceable under this Act.

VIRGINIA

In recognition of the restrictions contained in 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Cupcake Heaven, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Under 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.

No statement, questionnaire, or acknowledgment signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$68,600 to \$189,450. This amount exceeds the franchisor's stockholders' equity as of December 31, 2022, which is \$26,754.

WASHINGTON

This section operates as an addendum to the Franchise Agreement.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

The Disclosure Document and Franchise Agreement are amended to reflect that the Franchisor will defer collection of all initial fees until the Franchisor has provided all of its pre-opening obligations under the Franchise Agreement and the franchisee is open for business.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted

annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR

FRANCHISEE

This addendum may also be used as a rider to the Franchise Disclosure Document

EXHIBIT E

OPERATION MANUAL TABLE OF CONTENTS



®

OPERATIONS MANUAL

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EXHIBIT F

OPTION AGREEMENT

EXHIBIT F

FRANCHISE OPTION AGREEMENT

This Option Agreement is entered into as of _____, 20____ between Cupcake Heaven, LLC (“Franchisor”) and _____ (“Optionee”).

1. Grant of Option. Optionee is hereby granted an option (“Option”) to be awarded a Cupcake Heaven® Franchise.

2. Location. Optionee has the exclusive right to enter into a Franchise Agreement during the term of this Option Agreement for a Cupcake Heaven® franchise to be opened within the area of _____ or within _____ miles of the “selected address” listed below. The exact location of the franchise is chosen by Optionee, subject to Franchisor’s approval.

3. Option Fee. A non-refundable option payment of \$2,500 is required with the execution of this Agreement. The option payment will be credited towards the Initial Franchise Fee of \$10,000 or \$5,000 for a second franchise and any additional franchises thereafter provided that the Franchise Agreement is executed on or before the expiration date of this Agreement. An Optionee must prove financial qualifications and pass the background, credit, and criminal checks generally required of Cupcake Heaven® franchisees and maintain those requirements at the time you exercise this Option. No refund will be paid if the financial qualifications or background check of the owners cannot be met before a franchise is granted.

4. Term. This Option will have a term of six months and begins on the date of this Agreement listed below.

5. Notices. All notices sent by one party to the other must be hand-delivered, sent by registered or certified mail, return receipt requested, or transmitted by facsimile, or sent via electronic means if the sender can verify receipt. They will be addressed to Franchisor at its office as above designated, or at the other address Franchisor designates in writing, and addressed to Optionee at the address Optionee designates in writing. Any notice is deemed given and received, when delivered, if hand-delivered; if sent by facsimile or electronic means, on the next business day after sent; and if mailed, on the third business day following the mailing.

6. Governing Law. This Agreement is valid when executed and accepted by Franchisor and is governed by the laws of the State of Virginia. Prince William County, Virginia will be the venue for any arbitration or litigation. This choice of laws will not affect the scope of the Virginia franchise, business opportunity or related statutes, and nothing in this Agreement will be deemed to extend the scope of application of those laws.

Selected Address _____

Dated _____, 20____

Expiration Date _____

FRANCHISOR:

Cupcake Heaven, LLC

Signed _____

Name _____

Title _____

Signed _____

Name _____

Title _____

OPTIONEE:

Signed _____

Name _____

Title _____

Signed _____

Name _____

Title _____

EXHIBIT G

List of Franchisees

The following are the names, addresses and telephone numbers of all current Cupcake Heaven® franchisees as of December 31, 2023:

Cupcake Heaven of Lexington

Laura Mulitalo

LMBV LLC

20 W. Washington St

Lexington, VA 24450

(540) 464-4400

EXHIBIT H

Franchisees Who Left the System

NO FRANCHISEES HAVE LEFT THE FRANCHISE SYSTEM
AS OF THE DATE OF THE DISCLOSURE DOCUMENT.

EXHIBIT I

Financial Statements



Divine
Blalock
Martin
Sellari
LLC
Est. in 1932

CUPCAKE HEAVEN, LLC
COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022
(With Independent Auditors' Report Theron)

CUPCAKE HEAVEN, LLC
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GARY B. SELLARI, CPA*/PFS, MSM
SCOTT A. STEIN, CPA***
SUZI J. RAPP, CPA*, MAC
B. CHARLES SELLARI, CPA*, MTAX
TOM KEYS, CPA*, CGMA

J. RONALD ANDERSON, CPA**
VICTORIA BOLSKAR, CPA****, LTD
DUSTAN J. BROWN, CPA*****
MARY L. CONTESSA, CPA*, CVA, PA
STEVE A. GOINDOO, CPA**/PFS, MTAX, CFP®
SHARON HOWARD, CPA, CMA, MST*****
CANDACE ANTEZANA KLOTZBIER, CPA*
CHRISTINE M. MCKENNA, CPA*
JAMIE M. RUSSO, CPA*
JANET SCALZITTI, CPA*****
APRIL M. SINNOTT, CPA*
ARTHUR J. SINNOTT, CPA**

BARBARA AHEARN-DUNN, EA
KELLY BEACH, EA
JACQUELINE CARTIER, EA
ANTHONY J. SELLARI, EA



Divine
Blalock
Martin
Sellari
LLC
Est. in 1932

Certified Public Accountants and Consultants

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MEMBERS

AMERICAN INSTITUTE OF
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WILBUR F. DIVINE, IV, CPA (1925-1989)
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THE STATE OF TN
***REGULATED BY THE STATE OF FL
AND THE STATE OF NY
****REGULATED BY THE STATE OF WI
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INDEPENDENT AUDITORS' REPORT

To the Member of
Cupcake Heaven, LLC
Haymarket, VA, 20169

Opinion

We have audited the accompanying financial statements of Cupcake Heaven, LLC (a Nevada limited liability company), which comprise the balance sheet as of December 31, 2023 and 2022 and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cupcake Heaven, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cupcake Heaven, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cupcake Heaven, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cupcake Heaven, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cupcake Heaven, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Divine, Blalock, Martin & Sellari, LLC

West Palm Beach, FL

February 14, 2024

CUPCAKE HEAVEN, LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

ASSETS		
	2023	2022
Current assets		
Cash and cash equivalents	\$ 19,199	\$ 27,060
Prepaid expenses	6,568	-
Total current assets	25,767	27,060
Total assets	\$ 25,767	\$ 27,060
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Credit card payable	\$ 143	\$ 306
Deferred revenue - license fee	333	-
Total current assets	476	306
Deferred revenue - license fee (net of current)	667	-
Total liabilities	1,143	306
Members' equity	24,624	26,754
Total liabilities and members' equity	\$ 25,767	\$ 27,060

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

CUPCAKE HEAVEN, LLC
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Franchise Sales	\$ 9,000	\$ -
Royalty Fees	-	-
Product Sales	1,000	-
Other Income	53	-
Interest Earned	<u>9</u>	<u>5</u>
Total revenues	10,062	5
Operating expenses:		
Product Costs	826	-
Professional Fees	2,900	3,673
Filing Fees	108	873
Dues & Subscriptions	1,274	-
Supplies	-	144
Storage Rental Fees	-	135
Prelaunch expenses	-	41,250
Communications	-	120
Website/ Internet	192	1,685
Printing / Postage	686	332
Bank Fees	<u>125</u>	<u>39</u>
Total operating expenses	<u>6,111</u>	<u>48,251</u>
Income (loss) from operations	<u>3,951</u>	<u>(48,246)</u>
Net income (loss)	<u><u>\$ 3,951</u></u>	<u><u>\$ (48,246)</u></u>

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

CUPCAKE HEAVEN, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Members' equity, January 1,	\$ 26,754	\$ -
Member Contributions	-	75,000
Member Distributions	(6,081)	-
Net income (loss)	<u>3,951</u>	<u>(48,246)</u>
Members' equity @ December 31,	<u><u>\$ 24,624</u></u>	<u><u>\$ 26,754</u></u>

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

CUPCAKE HEAVEN, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income (loss)	\$ 3,951	\$ (48,246)
Adjustments to reconcile net income to net cash used in operating activities:		
Increase (Decrease) in operating liabilities:		
Prepaid expenses	(6,568)	-
Accounts payable	(163)	306
Deferred revenue	1,000	-
Net cash (used in) operating activities	<u>(1,780)</u>	<u>(47,940)</u>
Cash flows from financing activities:		
Member contributions (distributions), net	(6,081)	75,000
Net cash (used in) provided by financing activities	<u>(6,081)</u>	<u>75,000</u>
Net (decrease) increase in cash and cash equivalents	(7,861)	27,060
Cash and cash equivalents at beginning of year	<u>27,060</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 19,199</u></u>	<u><u>\$ 27,060</u></u>

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

CUPCAKE HEAVEN, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED December 31, 2023 AND 2022

NOTE 1 – BUSINESS ACTIVITY

Cupcake Heaven, LLC was formed in the state of Nevada on June 15, 2021; the Company is in the business of offering franchises for the operation of a cupcake shop that offers a variety of gourmet cupcakes baked onsite, using quality ingredients and proprietary recipes.. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to Cupcake Heaven, LLC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Bad Debts

Customer accounts receivable are stated at the amount management expects to collect on balances. The Company uses the direct write-off method for bad debts; management closely monitors outstanding balances and writes off, as of period-end, any balances that are considered to be uncollectible. Accordingly, no allowance for doubtful accounts is required. Bad debts amounted to \$0 for the years ended December 31, 2023 and 2022.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years. At December 31, 2023 and 2022 the Company did not own any fixed assets.

Advertising

Advertising costs are expensed as incurred.

CUPCAKE HEAVEN, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED December 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for federal and state income tax purposes may differ from net income in these financial statements.

As a limited liability company, income or loss of the Company is allocated to the members. No provision for federal or state income taxes is necessary because any income or loss is includable in the tax returns of the individual members. Local income taxes, if any, are paid by the Company. The Company was not subject to any local income taxes for the years ended December 31, 2023 and 2022.

The Company's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, and disclosure and transition accounting. The Company has concluded that no liability for uncertain tax positions is required at December 31, 2023.

Revenue Recognition

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation if the services are in line with the services listed within the guidance, and they meet certain other conditions.

CUPCAKE HEAVEN, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED December 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue Recognition, continued

The Company recognizes franchise royalties and system advertising on a monthly basis, which are generally based upon a percentage of sales made by the Company's franchises, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- *Loan a copy of the proprietary operations manual.*
- *Provide site selection guidelines, criteria & assistance.*
- *Assistance with obtaining a lease and approval of such.*
- *Access to prototype design plans, specifications, décor and layout.*
- *Provide assistance and guidelines in establishing prices for products & services.*
- *Assist in implementing an opening marketing initiative*
- *Access to a self-study program (and related materials) to be completed prior to attending our initial training program, provide a startup kit and provide up to three days of sales, marketing assistance and guidance at the location.*
- *Deliver a web page that may include portals online for additional training, ongoing news bulletins and templates for advertising materials.*

Fair Value of Financial Assets and Liabilities

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

CUPCAKE HEAVEN, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED December 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company’s management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

Recently Issued and Adopted Accounting Pronouncements

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee’s initial direct costs (e.g., commissions). The new standard is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. Effective January 1, 2022, the Company adopted the new lease standard. At December 31, 2023 and 2022 the Company had no lease agreements in place.

NOTE 3 – DEFERRED FRANCHISE REVENUE

Deferred revenue represents an allocated amount of the initial franchise fee for the license portion, which is amortized over the term of the agreement, and the unearned portion of the initial franchise fee for the contractual obligations of the Company that have not yet been performed. At December 31, 2023, the company recognized \$0 in franchise license fee revenue on the Statement of Income and has deferred franchise revenue of \$1,000 as a liability on the balance sheet.

NOTE 4 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 14, 2024, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

EXHIBIT J

State Effective Dates

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Not registered
Hawaii	Not registered
Illinois	Not registered
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Not registered
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Pending
Washington	Not registered
Wisconsin	Not registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K

Receipts

RETURN THIS SIGNED COPY TO THE FRANCHISOR

**ACKNOWLEDGEMENT OF RECEIPT FOR FDD
Franchise Disclosure Document [FDD]
CUPCAKE HEAVEN, LLC**

This Disclosure Document summarizes provisions of the Franchise Agreement, and other information in plain language. Read this disclosure document and all agreements carefully.

If Cupcake Heaven, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to the Franchisor, or an affiliate in connection with the proposed franchise sale.

If Cupcake Heaven, LLC does not deliver this disclosure document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20850, and the appropriate state agency as identified in Exhibit B of this Disclosure Document.

Franchisor authorizes the respective state agencies identified on Exhibit B to receive service for it in a particular state.

Cupcake Heaven, LLC's franchise sellers are: Kim Newman and Mark Vincellette at 6630 Jefferson Street, Haymarket, VA 20169, (703) 754-6300.

Issuance Date: February 20, 2024

I received a Cupcake Heaven® Disclosure Document dated February 20, 2024 that included the following Exhibits:

- A Franchise Agreement with attached Schedules
- B List of State Agencies and Regulators
- C Franchise Disclosure Questionnaire
- D State Addenda
- E Operations Manual Table of Contents
- F Option Agreement
- G List of Franchisees
- H Franchisees Who Have Left the System
- I Financial Statements
- J Receipts

Date

Recipient/Franchise Applicant

RETURN THIS SIGNED FORM TO THE FRANCHISOR Mail to: Cupcake Heaven, LLC, 6630 Jefferson Street, Haymarket, VA 20169, or Email to: MarkV@CupcakeHeaven.com

APPLICANT COPY

**ACKNOWLEDGEMENT OF RECEIPT FOR FDD
Franchise Disclosure Document [FDD]
CUPCAKE HEAVEN, LLC**

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- I Financial Statements
- J Receipts

Date

Recipient/Franchise Applicant

THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT