FRANCHISE DISCLOSURE DOCUMENT

Dapper Doughnut Franchise, LLC
a North Carolina limited liability company
6135 Park South Drive, Suite 510
Charlotte, NC 28210
(980) 296-2333
info@dapperdoughnut.com
www.dapperdoughnut.com

As a DAPPER DOUGHNUT ("DD") retail franchisee, you will operate a business that offers hot mini doughnuts hand decorated to order in assorted glazes and toppings, plus coffee and other beverages.

The total investment necessary to begin operation of a DD Retail franchised business, which includes a DD food trailer, is $350,000 to $643,000. This includes $91,000 to $93,000 that must be paid to the franchisor or its affiliates. The total investment necessary to open 4 to 10 DD Retail franchised business ranges from $317,000 to $733,000. This includes $131,000 to $133,000 that must be paid directly to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Konstantinos Grammenopoulos at info@dapperdoughnut.com or Dapper Doughnut Franchise, LLC, at 6135 Park South Drive, Suite 510, Charlotte, NC 28210.

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

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

Issuance Date: May 13, 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 franchises. You can find their names and contact information in Item 20 or Exhibits H/I.
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 G 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 Dapper Doughnut 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 Dapper Doughnut franchisee?	Item 20 or Exhibits H/I lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the 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 A.

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

Special Risks to Consider About *This* Franchise

Certain states require that the following 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 North Carolina. 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 Indiana than in your own state.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

MICHIGAN NOTICE

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:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offer on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913 (517) 373-7117.

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Item 1

FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

For ease of reference in this disclosure document, the franchisor is referred to as "we," "us," or "our," and the person who is considering the franchise is referred to as "you" or "your." If you are a legal entity, certain provisions of the franchise agreement, area development agreement, and attachments apply to your shareholders, officers, directors, members, and partners. These provisions are noted.

Franchisor

The franchisor is Dapper Doughnut Franchise, LLC, a North Carolina limited liability company that was formed on April 26, 2021. We do business under the trade name DAPPER DOUGHNUT®(referred throughout this document as "DD"). We do not do business or intend to do business under any other name. Our principal business address is 6135 Park South Drive, Suite 510, Charlotte, NC 28210. Our agents for service of process are disclosed in **Exhibit A**.

Our Business

We offer two types of DD franchises: retail, which will include the option to purchase or lease at least 1 food trailer per location ("Full-Service"); and a food truck ("Food Truck"). We also offer area development rights that permit the development of stated numbers of DD retail locations in designated geographic areas. We have no other business activities.

Our Experience

We began offering DD franchises in August 2021. We have not operated a business of the type being franchised. However, see Our Parent, Predecessors and Affiliates, below, for information on DD businesses operated by our predecessor. We have not engaged in any other line of business and have not offered franchises in any other line of business.

The Franchise

As a DD franchisee, you will sell hot mini doughnuts, hand dipped or decorated to order in assorted glazes and toppings, drip coffee, specialty coffee, and other coffee related beverages (*e.g.* espresso and lattes), and milkshakes, ice cream, and other beverages and treats, plus other products we may introduce in the future (the "business"). We offer two different types of DD franchise opportunities, a retail store (which will also include the option to purchase or lease at least one food trailer), and a food truck offering.

DD retail locations consist of smaller to larger footprint businesses operating from fixed locations within protected territories. DD retail locations can fit in a variety of footprints based on a self-contained retail location of approximately 1,000 to 1,200 square feet. You may choose a retail location that may be smaller or larger, from as small as 800 square feet to a recommended maximum of 1,500 square feet. The DD retail locations typically operate as end cap/corner space and inline store spaces, often in busy high-traffic strip malls, regional centers, downtowns, or themed retail zones. Full-service locations operate independently with all equipment and utilities necessary to produce and sell the full line of DD products (*e.g.*, doughnuts, milkshakes, specialty coffee, espresso, ice cream, and other treats, etc.).

For qualified candidates, we also offer DD food truck franchises. As a food truck franchisee, you will receive the right to operate a DD food truck throughout your specific region. We will determine the size and geography of each “Region” prior to signing the Franchise Agreement.

You must operate the DD business according to our standards and specifications, and must sign our standard franchise agreement and attachments (**Exhibit B**).

Competition & Market

You will compete with local, regional, and national businesses (including other franchised businesses) that provide similar products and services. Our products appeal to all demographic groups. The market for doughnuts and coffee is well-developed in the United States. Before signing a franchise agreement, you should survey your market to determine the number and quality of competitors.

Area Development Rights

We also grant area development rights under which area developers will develop a pre-agreed number of DD retail locations. We expect most area developers to commit to establish at least 5 DD retail locations at a rate of about one location every 10 to 12 months. Our area developers must have substantial prior business experience and substantial financial resources.

Laws and Regulations

You must comply with all local, state, and federal laws and regulations that apply to the operation of any business, including laws and regulations specific to the operation of food-related businesses. For example, you must comply with health codes. You also must comply with laws and regulations such as building codes, zoning laws, environmental laws and regulations, the Americans With Disabilities Act, and personnel laws and regulations that apply to the operation of DD business. Many jurisdictions also have laws and regulations directed at the operation of catering events. We urge you to make inquiries and ask your attorney about these laws and regulations.

Our Parents, Predecessors, and Affiliates

Our predecessor, Chicago Doughnut Franchise Company, LLC (“CDFC”), is a Florida limited liability company that was formed on November 9, 2015. We acquired certain assets from CDFC, including 6 existing franchise agreements, on April 9, 2021. Our predecessor does not do business under any other name and does not intend to do business under any other name. Its principal business address is 1000 N Green valley Pkwy., #440-360, Henderson, NV 89074.

Our affiliate, Gramcor eComm, LLC, is a North Carolina limited liability company that was formed on August 8, 2019. This affiliate provides inventory and products for franchisees to use in their Dapper Doughnut business. This affiliate does not do business, nor does it intend to do business under any other name. Its principal business address is 6135 Park South Drive, Ste. 510, Charlotte, NC 28277.

Item 2

BUSINESS EXPERIENCE

Managing Member: Konstantinos Grammenopoulos

Konstantinos Grammenopoulos has served as the Managing Member of Dapper Doughnut Franchise, LLC since April 2021. He has also served as President of Gramcor Corporation in Charlotte, North Carolina since February 2018. Concurrently, Konstantinos has served as an Area Representative and Canadian Master Franchisee of DRIPBaR since July 2021 and August 2023, respectively, and is based in Charlotte, North Carolina for both of those roles.

Vice President of Operations: George Grammenopoulos

George Grammenopoulos has served as the Vice President of Operations of Dapper Doughnut Franchise, LLC since April 2021. He has also served as Vice President of Gramcor Corporation in Charlotte, North Carolina since October 2018. Concurrently, George has served as an Area Representative and Canadian Master Franchisee of DRIPBaR since July 2021 and August 2023, respectively, and is based in Charlotte, North Carolina for both of those roles.

Vice President of Marketing & Culture: Marilyn Jackson

Marilyn Jackson has served as the Vice President of Marketing & Culture of Dapper Doughnut Franchise, LLC since April 2021. She has also served as President of Gramcor Corporation in Charlotte, North Carolina since January 2019. Concurrently, Marilyn has served as an Area Representative and Canadian Master Franchisee of DRIPBaR since July 2021 and August 2023, respectively, and is based in Charlotte, North Carolina for both of those roles.

Item 3

LITIGATION

In the matter of determining whether there has been a violation of the Franchise Investment Protection Act of Washington by Chicago Doughnut Franchise Company, LLC d.b.a. "The Dapper Doughnut," Brian Pappas, and Jeff Pappas. (Order No. S-18-2406-20-FO01). The State of Washington Department of Financial Institutions ("DFI") issued an "Entry of Findings of Fact and Conclusions of Law and Final Order to Cease and Desist against our predecessor and two of its officers on May 6, 2020. DFI found that our predecessor, CDFC, and two named officers violated the Washington Franchise Investment Protection Act by failing to disclose three (3) affiliates and certain litigation history involving Brian Pappas, CDFC's founder and former Managing Director, in CDFC's The Dapper Doughnut Franchise Disclosure Document. DFI ordered CDFC and Brian and Jeff Pappas to cease and desist violating the Washington Franchise Investment Protection Act.

MST Management, LLC *et al* v. Chicago Doughnut Franchise Company, LLC *et al*. (Filed March 2, 2021 in the United States District Court for the District of Nevada; Case No. 2:21-CV00360). Our predecessor, CDFC, along with several current and former officers, directors, and affiliates of CDFC and its parent company, Diversified Franchise Group, Inc., were named as defendants in a class action suit filed by former franchisees of CDFC's. Plaintiffs allege, among other things, violations of the federal RICO Act (racketeering), Sherman Act (antitrust), and Nevada

Deceptive Trade Practices Act. All parties jointly moved to dismiss all of the claims pursuant to a settlement and release agreement, and the Court granted this motion on December 20, 2022. None of the parties exchanged payments pursuant to the settlement agreement, and the Court dismissed all claims by plaintiff Dendary's Donuts, LLC with prejudice. All remaining claims were voluntarily withdrawn and dismissed with prejudice by the Court.

Dapper Doughnut Franchise, LLC v. Roberto Mayorga Chavez. (Filed March 3, 2023 in Superior Court, Mecklenburg County, North Carolina; Case No. 23-CVS-4535). On November 10, 2022, we terminated a Dapper Doughnut franchisee for failure to report sales and to provide access to the point-of-sale system and failure to pay Royalty Fees and Advertising Contributions to us after being put on notice of these defaults and given the opportunity to cure them. On March 3, 2023, we filed a lawsuit against this former franchisee, seeking an accounting and pursuing claims for breach of the franchise agreement. We entered into a Settlement Agreement with this franchisee, and, on March 6, 2024, the Court approved of a Consent Judgment that awarded us damages of $50,000.00 plus post-judgment interest at 8% per annum.

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

Item 4

BANKRUPTCY

In re Chicago Doughnut Franchise Company, LLC (Case 21-12278) On April 30, 2021, our predecessor, CDFC, voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, District of Nevada). The Bankruptcy Court terminated this matter on January 24, 2024.

Other than this action, no bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

A. FRANCHISE AGREEMENT

Initial Franchise Fee

Upon signing the Franchise Agreement, you will pay us an Initial Franchise Fee of $45,000. The Initial Franchise Fee is fully earned by us upon receipt and is non-refundable except as specifically set forth below. We participate in the International Franchise Association's "VetFran Program," and we offer honorably discharged veterans of the U.S. armed forces a 10% discount on the Initial Franchise Fee.Depending on availability, you may reserve a specific territory for your franchise for up to 30 days before you sign a franchise agreement by paying us a $5,000 deposit so long as over fifteen (15) days have passed since you received our current Franchise Disclosure Document. At the end of 30 days, if you have been diligently working with us, you may make a written request to extend the reservation for an additional 10 days, which we may grant or deny in our sole discretion. The deposit will be credited against the initial franchise fee and is fully refundable in the event you don't sign a franchise agreement. See Item 12 for more information regarding franchise territories.

If you do not successfully complete initial training, fail to begin operations within 12 months from the date the franchise agreement is signed or we decide that you should not operate a DD business, we may cancel the franchise agreement. If we cancel the franchise agreement, we may, in our sole discretion, refund up to 20% of the initial franchise fee.

Grand Opening Fee

Upon the earlier of i) 30 days before the scheduled opening, or ii) prior to training, you must remit to us $5,000 that we will spend on your behalf to promote your DD business both before and after you open for business, and for your Grand Opening (which generally occurs 30 days after your soft opening). These funds will be used for advertising, marketing, promotions, and business development costs. This fee is uniform and non-refundable.

Initial Advertising Fee

You will commit to spend certain minimum amounts each month for approved forms of local marketing and advertising to grow your business. Upon the earlier of i) 30 days before the scheduled opening, or ii) prior to training, you must remit to us $10,000 to cover 5 months of your initial monthly local advertising requirement. We will use these funds as we see fit to promote your business. These fees are uniform and non-refundable.

Training Fee

We will provide initial training and training materials for up to 3 trainees at no extra charge to you. All trainees must attend training at the same designated time. One of the trainees must be the owner-operator of the franchised business. If you send more than 3 people to initial training, we will charge you a training fee of $750 for each additional trainee. Training fees are uniform and non-refundable. You must pay for your trainees' travel, meal and lodging expenses. See Item 11 for more information on training.

Opening Inventory & Equipment

You will purchase products directly from our affiliate, Gramcor eComm, LLC, to use in the operation of your franchised business. These products will include doughnut boxes, doughnut trays, papers cups & sleeves, plastic cups and lids. The total price for these paper products ranges from $1,500 to $3,500.

You must also purchase a Coffee/Espresso Machine Package, as well as a Doughnut Machine Package, directly from our affiliate, Gramcor eComm, LLC. The estimated cost for the Coffee/Espresso Machine is $14,500. The estimated cost for the Doughnut Machine is $15,000.

B. AREA DEVELOPMENT AGREEMENT

Area Development Fee

You must pay us an area development fee of $45,000 per additional DD business to be developed under the area development agreement, *excluding* your first DD location. Upon signing the Area Development Agreement, you will pay us $10,000 per additional DD business. This $10,000 will be credited against the initial franchise fee you must pay for each additional DD location you are required to develop under your area development agreement above your first DD location. You will pay us the remaining $35,000 of the fee for each DD business when you execute a lease for that DD business. You must pay us all fees in collected United States funds by wire transfer or certified or cashier's check, the method of payment to be at our discretion. We expect that area development agreements generally will provide for the development of at least three (3) DD retail locations.

The area development fee is due on signing of the area development agreement. It is non-refundable unless we terminate the first franchise agreement under the conditions stated in 5.A., above. In those circumstances, we may also terminate the area development agreement. If we terminate the area development agreement, we may, but are not obligated to, refund up to 20% of the area development fee deposited with us, less our out-of-pocket expenses and any applicable broker fees we incurred, if you agree to certain continuing obligations, such as remaining subject to the dispute resolution clause, honoring our trade secrets and confidential information, not infringing on or using our materials, trademarks, or DD system, not violating the covenant against competition, and not hiring either our, our affiliates', or our franchisees' employees or independent contractors for a specified period of time.

When you sign an area development agreement, you also must sign a franchise agreement for your first DD retail location and pay the full initial franchise fee for that business (see 5.A. above).

In the prior fiscal year, no franchises were granted for less than the standard initial franchise fees as described above. Except as specifically described in this Item, the fees in this Item 5 are non-refundable under any circumstances.

Item 6

OTHER FEES

Type of Fee [1]	Amount	Due Date	Remarks
Royalty	5% of Gross Sales or the Minimum Royalty, whichever is greater [2] The Minimum Royalty is as follows: -$230 per week in Years 1 and 2 -$340 per week in Year 3 -$450 per week beginning in Year 4 and continuing for the remainder of the franchise term	Payable weekly on the next Thursday of each week	We require payment by electronic transfer. Beginning when you open for business, you must pay us the greater of the Royalty or any applicable minimum Royalty each week. The "Years" begin on the date you open for business.
Advertising and promotional contribution	Up to 4% of Gros Sales; Currently, 2% of Gross Sales [2]	Payable weekly on the next Thursday of each week	We require payment by electronic funds transfer (see Item 11 for more information).

Local advertising	For a retail location: $2,000 per month in your first year of operations; $1,000 per month after your first year of operations.	Five months' worth of local advertising spend payable to us before we will grant you final approval to open your business	Retail Location: You must spend at least this amount each month on local advertising. You will pay $10,000 to us to spend on your behalf for 5 months of local and social advertising (months 2 – 6 of operations). Commencing in month 7 of operations, you will pay for local advertising directly to third parties.
Grand Opening Marketing and Advertising Fee	$5,000	Payable to us before you attend training	Applies to all franchisees. You must remit to us $5,000 that we will spend on your behalf to promote your business both before you open for business and up through your Grand Opening. Pre-opening advertising generally begins 4 to 6 weeks before your "soft" opening, and promotions continue through your Grand Opening (which generally occurs 4 to 6 weeks after your soft opening).
Training fee [3]	Currently $750 per person [6]	Before 1st day of the training	Payable only if you send more than 3 people to initial training.
Remedial or follow-up training	Currently $500 per day, plus our out-of-pocket expenses [3, 5, 6]	Before 1st day of the training	Payable only for trainers sent to your location. We may require you or your manager(s) to attend remedial or follow-up training.
Field assistance	Currently $500 per day, plus our out-of-pocket expenses [5]	Before 1st day of the scheduled assistance	This fee is for special field assistance that you request.
Annual conference [5]	Currently $0, but we have the right to charge you a proportionate share of our out-of-pocket expenses	Before 1st day of the conference	You must also pay for travel, meals and lodging for yourself and your attendees.
Transfer (franchise)	10% of our then-current initial franchise fee	Before transfer	Payable when the franchise or controlling interest in your business is transferred; no fee if transfer is to a legal entity that you control.
Transfer (area grant)	$10,000 per undeveloped franchise	Before transfer	Payable only when area grant or controlling interest in you is transferred; no charge if transfer is to a legal entity that you control.

Renewal (franchise)	50% of our then-current initial franchise fee	On signing of renewal franchise agreement	
Cooperative Advertising Program	Designated portion of local advertising or advertising and promotional contribution	As directed	If we establish a local advertising cooperative consisting of all of the DD locations in your area, we may require you to participate. See Item 11.
Replacement manual	Currently up to $200 per replacement manual [5]	When billed	Payable only if you lose a manual.
Point of Sale system processing fee [4]	Currently 2.6% per transaction[4]	When billed	Payable to a 3rd party.
Hardware and software upgrades	Actual cost	When incurred	Payable to a 3rd party. You will be required to update your computer hardware and software periodically, at your cost. See Item 11.
Unauthorized product or service fee	$1,000 per day if unauthorized product or service is offered for sale or distributed	When incurred	In addition to other remedies available to us.
Sample testing fee	Actual cost	When incurred	Payable to us or to a 3rd party. If samples taken for testing from your location during a field inspection fail to meet our then-current standards and specifications, you will pay for the cost of the testing.
New supplier or product testing fee	Actual cost	When incurred	Payable to us or to a 3rd party. This fee covers the cost of testing new suppliers, items or products that you propose.
Interest on past due amounts	Lesser of 1.5% per month or highest rate allowed by law (In California the highest lawful rate of interest is 10% per annum)	When billed	If no due date is stated, interest begins to run 30 days after billing.
Late fee	$50	When billed	Assessed on all payments (in any amount) due and payable to us that are not paid by due date, and all reports not received by due date.
Management (on death or disability)	$5,000 per month, plus actual expenses	When billed	Payable for any period that we manage your business on your death or disability. You pay for our out-of-pocket expenses, including airfare, local transportation, hotel, and meals.

Examination or audit	Cost of examination or audit	When billed	Payable only if we find, after an audit, that you have understated or underpaid any amount owed to us by 3% or more for any 3-month period, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner.
Reimbursements and penalty fees	Will vary under circumstances	When billed	Reimbursements on returned checks, declined wire transfers, charges and similar defaults; penalty fees on those defaults and on unpaid invoices.
Costs and attorneys' fees	Our cost	As incurred	Payable if your non-compliance with the franchise agreement or area development agreement causes us to incur legal expenses.
Indemnification	Our cost	As incurred	You must reimburse us if we are held liable for claims involving the operation of your franchised business.
Liquidated damages	An amount equal to the average monthly Royalty paid during the 12 months of operation preceding termination, times the greater of 24 or the number of months remaining in the franchise term	Within 15 days of the date of termination	Payable if your franchise is terminated under Sections 26.1, 26.2 or 26.3. This does not cover any other damages arising from any other violation of the franchise agreement.
Email Marketing Systems	Our cost	As incurred	Either payable to a third party or us as arranged.
Secret Shopper Service	Our cost	As incurred	Either payable to a third party or us as arranged.
Technology Fee	The then-current amount will be the actual cost of the technology plus a reasonable administrative fee for arranging and maintaining the technology.	Weekly	We reserve the right to require you to pay us a weekly Technology Fee during the term of the Franchise Agreement upon notice to you. If we exercise this right, we may collect the then-current weekly Technology Fee from you in the same manner as we collect the Royalty fee. We may determine the amount of the Technology Fee in our sole discretion, but the Technology Fee will cover our actual cost of the technology plus a reasonable administrative fee for arranging and maintaining the technology.

Note 1: All fees are imposed by and payable to us, unless otherwise noted. All fees are non-refundable, except that we may partially refund transfer fees in some circumstances (see Section 25.2 (c) of franchise agreement and Section 14.2 (c) of area development agreement). All fees are uniform, with the

exception of fees negotiated under an optional management advisory services contract (See Note 7, below). Your payments to us may be effectuated by the use of pre-authorized electronic transfers from your operating account that we will process when any payment is due, including Royalties and advertising contributions.

Note 2: "Gross Sales" mean all receipts of your business, including all amounts received on a cash, charge or time basis, and including the value of all products or services received for products or services provided, without reserve or deduction for inability to collect, and including any proceeds from any business interruption or similar insurance applicable to any revenue loss of your business, but excluding: excise, sales and use taxes; gross receipts taxes or similar taxes separately stated to and collected from customers for transmittal to appropriate taxing authorities; discounts and refunds to customers; and receipts from pre-approved vending machines located in your business, except for any amounts representing your share of the receipts. Our current policy on coupons and gift cards is as follows: Coupons generate receipts that are included in "Gross Sales" when they are redeemed by customers. At that time, the full retail prices of the items sold under the coupons are included in receipts, and the discounts given under the coupons are excluded as discounts when calculating "Gross Sales." Gift cards generate receipts that are included in "Gross Sales" when they are redeemed by customers, not when they are sold. We may change this policy on reasonable written notice to you.

Note 3: See Item 11 for more information about initial training. As to all training sessions and annual conferences, you must pay your trainees' and attendees' travel, lodging and meal expenses, and their wages and benefits. Also, as to all training sessions, if our trainers are requested by you or are required to travel to give training, you must pay us our then-current per diem charges for those trainers, and must reimburse us for those trainers' reasonable travel, lodging and meal expenses.

Note 4: Currently, our Point of Sale System and on-line services are provided solely by an approved third-party providers and outlined in the Operations Manual. You are required to use the Point of Sale System we designate. We reserve the right to switch Point of Sale services at any time in our sole discretion. Switching to another third-party Point of Sale System provider may adjust the fees charged for such system processing services. Current provider charges the following: 2.6% Point of Sale Processing Rate; 2.6% + 30¢ per transaction Online Ordering Rate; 2.5% per transaction Gift Card Processing Rate.

Note 5: These fees are subject to change, but not so as to unreasonably increase your obligations. For example, we may develop new training courses or annual conference events that may require fees different from those currently charged.

Note 6: Routine field assistance visits are without charge, but we may charge a fee for any field assistance visits or special training visits that are not routine. We assist you over the telephone or by mail or email, rather than by a personal visit, whenever we, in our sole and absolute judgment, consider it to be sufficient.

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Item 7

ESTIMATED INITIAL INVESTMENT

A. RETAIL LOCATION

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure[1]	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial franchise fee[3]	$45,000	$45,000	Lump sum	On signing	Us
Travel, lodging and meals for initial training Trainers (per person)	$0	$3,000	As agreed	As incurred	3rd parties
Opening Training, Uniforms & Set-Up	$5,000	$10,000	As agreed	As incurred	3rd parties
Prepaid rent and security deposit[4]	$3,000	$7,000	As agreed	As incurred	Landlord
Initial inventory- Paper Products	$1,500	$3,500	As agreed	Before Opening	Affiliate
Utility deposits	$500	$1,500	As agreed	As incurred	3rd parties
Business Registration[5]	$0	$1,000	As agreed	As incurred	3rd parties
Insurance premiums[6]	$1,500	$3,000	As agreed	As incurred	3rd parties
Office supplies	$200	$500	As agreed	As incurred	3rd parties
Cash Floats	$300	$500	As agreed	As incurred	3rd parties
Initial advertising[7]	$10,000	$10,000	Lump sum	Before Opening	Us
Grand opening advertising[8]	$5,000	$5,000	Lump sum	Before Training	Us
General Contractor[9]	$100,000	$200,000	As agreed	As incurred	3rd parties
Equipment, Millwork, Furniture, & Fixtures[10]	$50,000	$150,000	As agreed	As incurred	3rd parties
Exterior Signage & Graphics[11]	$5,000	$10,000	As agreed	As incurred	3rd parties
Point of Sale System[12]	$1,500	$3,000	As agreed	As incurred	3rd parties
Estimated Permitting	$1,000	$2,000	As agreed	As incurred	3rd parties
Architect & Design Fee	$7,500	$10,000	As agreed	As incurred	3rd parties
Coffee/Espresso Package	$14,500	$14,500	As agreed	As incurred	Affiliate
Doughnut Machine Package	$15,000	$15,000	As agreed	As incurred	Affiliate
Phone System	$0	$500	As agreed	As incurred	3rd parties
Speaker and Digital Screen Install	$2,000	$5,000	As agreed	As incurred	3rd parties
Small wares	$2,000	$3,000	As agreed	As incurred	3rd parties
Professional fees[13]	$1,500	$5,000	Lump sum	As incurred	3rd parties
Additional funds (3 months)[14]	$5,000	$15,000	As agreed	As incurred	3rd parties
TOTAL ESTIMATED INITIAL INVESTMENT [15]	$277,000	$523,000			

B. OPTONAL FOOD TRAILER

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure[1]	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Estimated Initial Investment for Retail Location[3]	$277,000	$523,000	Varies	Varies	Varies
Food Trailer acquisition, fabrication, and build out[16]	$70,000	$80,000	As agreed	As incurred	3rd parties
Vehicle to pull Trailer[17]	$0	$30,000	As agreed	As incurred	3rd parties
Point of Sale System[12]	$1,000	$2,000	As agreed	As incurred	3rd parties
Initial inventory including packaging	$1,000	$3,000	As agreed	As incurred	Affiliate
Business licenses, permits, etc. (for 1st year) [5]	$0	$1,000	As agreed	As incurred	3rd parties
Insurance Premiums (for 1st year) [6]	$1,000	$4,000	As agreed	As incurred	3rd parties
TOTAL ESTIMATED INITIAL INVESTMENT FOR FIRST RETAIL LOCATION INCLUDING OPTIONAL FOOD TRAILER [15]	$350,000	$643,000			

Note: You will have the option to purchase and operate a DD food trailer within twenty-four (24) months after executing the Franchise Agreement. If you do not purchase and begin operating a DD food trailer within that time, you will not have the right to operate a DD food trailer.

C. AREA DEVELOPMENT AGREEMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure[1]	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Area development fee ($10,000 per retail location, assuming 5 to 10 locations beyond 1st location)[18]	$40,000 (4x Additional Locations)	$90,000 (10x Additional Locations)	Lump sum	On signing	Us
Total Estimated Initial Investment under Franchise Agreement[19] (Low End does not include Optional Food Trailer. High End includes Optional Food Trailer.)	$277,000	$643,000	Varies	Varies	Varies
TOTAL ESTIMATED ADDITIONAL INITIAL INVESTMENT[15]	**$317,000**	**$733,000**			

<u>Notes to Tables in Item 7</u>:

Note 1: Unless otherwise stated in Item 5 or 6, or as otherwise negotiated with 3rd party suppliers, these expenses are uniform and non-refundable. See Item 10 for information on financing.

Note 2: These amounts are estimates only, showing both a lower and a higher range of the amounts you should expect to invest initially to open your business. The estimates are based on the following assumptions about the size and type of location where you will do your business:

RETAIL – FIXED LOCATIONS

- FULL-SERVICE — based on a self-contained retail location of approximately 1,000 - 1,200 square feet. You may choose a retail location that may be smaller or larger, from as small as 800 square feet to over 1,500 square feet
- FOOD TRAILER – as a Full-Service franchisee, you will also have the option to purchase a Food Trailer to support your physical location. The food trailer will be able to operate at different events and opportunities located within your Territory.

If your location differs in size or type from this, or if you decide to rent additional space for storage or food preparation, the estimates shown will change accordingly<u>. We make no representation that your costs will come within the ranges estimated and cannot guarantee that you will not incur additional expenses in starting your business.</u> Your actual costs will depend on a variety of factors, including: region; time of year; number of customers serviced; sales promotions; how closely you follow our methods and procedures; your management skill, experience and acumen; local economic conditions; local market for your products and services; prevailing market wage rates; competition; and sales levels that you reach during the initial period of your business. None of these amounts are refundable unless you negotiate otherwise with a 3rd party supplier.

Note 3: This fee is fully earned upon payment and is non-refundable.

Note 4: We expect that you will lease space for your retail location. Most leases will require payment of one or more months of rent in advance as well as a security deposit. For express retail locations, lease costs will vary based on the mall, supermarket, or restaurant/business that you lease from. For retail locations and commercial kitchens/commissaries, lease costs will vary based on size in square feet to be leased, cost per square foot, location, length of the lease, age of the leased property, local market conditions, size of the premises and bargaining power of the developer or property management company. In conjunction with the signing of a lease, the landlord may require you to provide a full or limited personal guarantee, or a letter of credit and/or a security deposit.

Note 5: You may decide to hold the franchise and/or area grant interest in a legal entity, and to transfer the franchise and/or area grant to a legal entity formed before beginning operations. Regardless of the ownership of the franchise, you may have to comply with the fictitious, assumed, or trade name laws of the state in which your business is located.

Note 6: See Item 8 for additional information on insurance.

Note 7: You commit to spend certain minimum amounts each month for approved forms of marketing and advertising to grow your business. For a DD retail location, before we will grant you final approval to open the location, you must remit to us $10,000 to cover 5 months of your initial monthly advertising requirement that will be used commencing in month 2 of the operation of your business. We will use these funds as we see fit to promote your business.

Note 8: Before you will be allowed to attend training, you must remit to us $5,000 that we will spend on your behalf to promote your DD retail location both before and after you open for business, and for your Grand Opening (which generally occurs 30 days after your soft opening). These funds will be used for advertising, marketing, promotions, and business development costs.

Note 9: The cost of leasehold improvements for your retail location will vary as a function of size, condition and location of the premises, price differences among contractors, local wage rates and material costs, other local conditions, and the nature of your leasehold improvements. A previous tenant may have installed leasehold improvements that are compatible, thereby reducing your costs; or the landlord may pay for all or some leasehold improvements under your negotiated lease, or may finance your leasehold improvements by increasing your monthly rent payments. If you are converting an existing restaurant space to a DD retail location, your costs for leasehold improvements may be significantly reduced, depending on the condition of the space and availability of existing leasehold improvements, such as ventilation systems and grease traps.

Note 10: All DD franchisees may choose, but are not required, to purchase or lease at least one additional fryer as a backup. We encourage you to consider doing so. Currently, an additional fryer costs approximately $7,500 and may be leased for approximately $200/month. We have not included the cost of an extra fryer in your estimated initial investment. You must purchase and/or lease and install the equipment necessary to operate as a DD location under our specifications. Such equipment currently includes, for example, a doughnut fryer with filtration system, exhaust hood with fire suppression, mixers, milkshake blender, coffee maker, espresso machine, and food coolers and freezers. The costs of purchase and installation of the equipment vary according to local market conditions, the size of the premises, your selections from our approved lines of items, price differences among suppliers, the location of the premises, shipping distance from the manufacturer or supplier, and other related factors. If you are converting an existing restaurant space to a DD retail location or commercial kitchen/commissary, you may be able to purchase some of the existing equipment for a significantly reduced cost. All DD franchisees must purchase routine “smallware” food service items, such as mixers, blenders, knives, miscellaneous cooking, food preparation, and serving equipment and utensils, and the like.

Note 11: You must purchase and/or lease and install the fixtures and signage necessary to operate your DD location under our specifications. Fixtures currently include, for example, a security system, lighting and chalk menu boards. The costs of purchase and installation of the fixtures and signage vary according to local market conditions, the size of the premises, your selections from our approved lines of items, price differences among suppliers, the location of the premises and other related factors. In addition, any franchisee may choose to purchase additional signage, banners, or DD-branded tents to use in conjunction special events or to augment fixed signage. If you choose to purchase a food trailer to assist with your retail location, then your trailer will be completed outfitted so you will not be required to purchase fixtures or signage for your trailer.

Note 12: You must purchase a SQUARE Point of Sale system and computer that meets our specifications. See Item 11 for more information.

Note 13: You may elect to have an attorney review the FDD and have an accountant set up your books. If you operate a DD retail location, you will be required to retain the services of an architect to obtain a building permit and may elect to retain the services of a General Contractor to manage the construction of your location.

Note 14: You may need these additional funds to operate your business during its 3-month initial period to cover operating expenses that are more than typical start-up revenues. You may need additional funds at or near the higher estimate, or even exceeding the higher estimate, especially if you decide to open a retail location that is larger than a typical DD retail location.

Note 15: We have relied on over 30 years of management and operations experience in the food and beverage business of DD employees, managers and consultants, collectively, to compile these estimates. You should review these figures carefully with a business advisor, and should speak to our existing franchisees, before making any decision to purchase the franchise.

Note 16: If you intend to operate a DD food trailer, you must purchase it from an approved supplier for the fabrication and build out of the food trailer (see Items 8 and 11 for more information). All trailers must be equipped with refrigeration, a doughnut fryer, coffee maker, ice cream freezer, water system, wastewater collection, ventilation system, grease hood, fire suppression system, generator, propane tank, ice bin, storage cabinets, LED/neon lighting, camera, and signage in the form of a graphic wrap with the DD trademarks and logos.

Note 17: If you intend to operate a DD food trailer, you are required to use a vehicle to pull the food trailer. The type of vehicle necessary is dependent upon the dimensions of your trailer. The low end estimate of $0 assumes you already have an adequate vehicle to pull the food trailer. The high end estimate is the rough purchase price for a small pickup truck, such as a Nissan Frontier, a Toyota Tacoma, or similar size SUV.

Note 18: You must agree to develop at least 5 additional DD retail locations above and beyond your first, initial location when you sign an area development agreement, and we generally will not grant the right to develop more than 10 locations under a single area development grant. However, in our sole discretion, under some circumstances, we may grant you the right to develop more than 10 DD locations. Total estimated additional initial investment assume you build out from 5 to 10 DD retail locations beyond the first required retail location.

Note 19: This estimated initial investment includes the initial franchise fee for your first DD retail location.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, we do not require you to purchase or lease goods, services, supplies, fixtures, equipment, inventory, or real estate for your business from us or any approved supplier.

Approved Suppliers

You must purchase certain equipment, doughnut batter, shortening, and coffee from our approved suppliers as defined in our manuals. Currently, you are not required to purchase or lease any proprietary or other products or services from us, but we may be designated an exclusive or non-exclusive approved supplier of one or more products or services in the future.

You must use our approved Point of Sale system supplier, Square. We reserve the right to change our Point of Sale system supplier, and any specified hardware and/or software, at our discretion at any time upon written notice to you. This may include proprietary software and/or hardware developed, sold, and implemented by us or by one or more of our affiliates.

Currently, you must obtain the following products and services from our approved suppliers/vendors: roasted coffee, refresher drink products, food distribution services, doughnut mix, doughnut fryer equipment, brewed coffee & espresso-based coffee equipment, custom paper products, custom millwork, various equipment, smallware, and design work. In the future, we may require you to obtain other products or services, such as food & beverage items, marketing & advertising, construction services, food and beverage items from approved suppliers.

Additionally, you must purchase your coffee/espresso machine, doughnut machine, and initial paper products directly from our affiliate, Gramcor eComm, LLC. See Items 5 and 7 for costs. In the most recent fiscal year ending December 31, 2023, Gramcor eComm, LLC received $25,360.44 from required franchisee purchases of coffee/espresso machines, doughnut machines, and initial paper products.

We maintain a list of approved suppliers in our manuals. We may modify this list on reasonable written notice to you. We may approve a single supplier for any item and may approve a supplier only as to a certain item or items. We will grant or revoke approvals of suppliers on reasonable written notice based on our criteria for approving suppliers, inspections and performance reviews. We will provide you with our criteria for supplier approval on written request. You may request in writing our approval of additional suppliers. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request.

Our managing member, Konstantinos Grammenopoulos, owns 50% equity in our affiliate, Gramcor eComm, LLC and will derive revenue, indirectly, from required franchisee purchases.

Revenue to Us

We may receive a rebate, fee, or other compensation from approved providers of equipment, food supplies, beverage products, paper goods, signage, and other items, to help defray our costs to negotiate, oversee, and manage vendors and suppliers.

We or one of our affiliates may serve as a distributor and/or reseller of certain equipment and supplies meeting our specifications from certain manufacturers or suppliers, and intend to make a reasonable profit from franchisee purchases of such approved equipment and supplies.

We may provide material benefits to you based on your purchase of particular products or services or your use of particular designated or approved suppliers. For instance, if you purchase products through one or more of our approved suppliers, you would be eligible to receive any benefits we have negotiated with such supplier(s) as of that time (*e.g.*, regular or promotional discounts on certain products, free shipping or delivery, etc.). We do not discriminate against you based on your use of any particular approved supplier. We currently do not negotiate purchase arrangements with suppliers, but we reserve the right to do so in the future.

In the fiscal year ending December 31, 2023, neither our affiliates, nor the franchisor received any revenue of the types described above.

Equipment and Supplies

You must purchase or lease certain equipment and supplies meeting our specifications from vendors approved by us. Also, you must purchase or lease initial equipment and supplies in amounts that we require, in order to use our experience in the business and to provide proper initial planning, training, operation and record keeping. You must purchase or lease computer hardware and software as described in Item 11. The initial equipment and supplies that must meet our specifications are identified in our manuals.

Site Selection Criteria

You must find a site for your business that meets our site selection criteria within 6 months after signing your franchise agreement. We have developed a Master Broker Relationship. You will be required to use these real estate brokers, but there will not be any additional fee for using their services. We will not unreasonably withhold acceptance of any site that meets our standards for demographic characteristics, including traffic patterns, parking, predominant character of the neighborhood, competition from other businesses providing similar services in the area, proximity to other businesses, nature of other businesses in proximity to the site, and size, times open to the public, appearance and other physical characteristics of the site. Our acceptance of a site is not a representation or warranty that your business will be profitable or that your revenues will attain any predetermined levels. Acceptance is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. You agree that our acceptance or non-acceptance of a proposed site does not impose any liability on us.

Lease of the Site

You must locate, and you must lease, sublease or purchase, the site for your business. If you lease the site for your business from a third party, you must provide us with a copy of the lease and we have the right to approve the lease before it is signed. Any lease must include the addendum attached as Attachment 6 to the franchise agreement or equivalent provisions in place of the addendum that we approve. You must agree not to modify the lease in any way that would adversely affect our rights without our written approval.

Maintenance and Repairs

You must maintain your DD location in the highest and most uniform degree of sanitation, repair, appearance, condition and security in the manner stated in our manuals. You must make additions, alterations, repairs and replacements to your DD location (but no others without our written consent) as reasonably required for that purpose, including periodic repainting, changes in appearance, upgrades and repairs to equipment, and replacement of obsolete signs as we reasonably direct. You must meet and maintain the highest safety standards and ratings applicable to the operation of your DD location as we reasonably require.

Renovation and Upgrading

You must abide by our requirements on alterations, remodeling, upgrading or other improvements to your DD location to achieve the strategic marketing goals of the DD system. The requirements will not exceed those applicable to new franchised and company-owned locations; and will not generally occur more frequently than every 5 years, unless your DD location is subject to unusual wear and tear. You will be responsible for the cost of changes or additions.

Design Specifications

We will lend to you specifications of our requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your DD location. These items may be purchased from any of our approved suppliers.

Insurance

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance required by applicable law, your landlord, lender or otherwise. We may periodically change the amounts of coverage required under the insurance policies and require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to both franchised DD locations. Your insurance must be written by insurance companies reasonably satisfactory to us with Best's ratings of "A" or better, and currently must include at a minimum:

- Workers' compensation insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of each DD location.
- Comprehensive general liability insurance with limits of at least $1,000,000 per person for bodily injury per occurrence (and $2,000,000 aggregate for bodily injury) and at least $25,000 for property damage per occurrence.
- "All risk" insurance on the premises, equipment (except portable equipment) and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risks usually insured against by the owners or landlords of similar property. The insurance must be for at least 90% of the replacement cost of the property. Unless you obtain a written waiver from us, any DD location sustaining loss or damage must be repaired, restored or rebuilt within 60 days after the date of the loss or damage.
- Business interruption insurance for a period of at least 12 months.
- Such insurance and types of coverage as may be required by your landlord or by the terms of any lease for the premises of your business or by the municipality, county, state or other local jurisdiction in which your DD location is located.
- Comprehensive commercial automobile liability insurance for any vehicle operated by, or on behalf of, your business, including owned, hired and non-owned vehicle coverage, of at least $500,000 (generally included in comprehensive general liability insurance policy).
- Crime insurance for employee dishonesty with at least a $10,000 combined single limit.

- Cyber liability insurance with a limit of at least $100,000 per occurrence.
- Employment practices liability insurance (EPLI) with a limit of at least $100,000 per occurrence.

Each insurance policy, except the workers' compensation and employment practices liability insurance policies, must name us and entities and persons affiliated with us as additional insureds.

At least 10 days before you open your business or begin any construction, you must furnish us with certificates of insurance issued by insurance companies showing compliance with our insurance requirements and paid receipts showing the certificate numbers. Each certificate of insurance must include a statement by the insurance company that the policy will not be canceled, subject to non-renewal or materially altered without at least 30 days' written notice to us. On an annual basis, you must send us then-current certificates of insurance and paid receipts showing the certificate numbers. On our request, you must provide us with copies of your insurance policies and proof of payment for the policies.

Modifications of Specifications

Specifications that we have formulated for equipment and supplies are in our manuals. We may modify these specifications on reasonable written notice to you. We will consider your written request for a modification of a specification, if you explain the reason for the requested modification (or for the approval of any equipment or supply we have not previously approved) and provide us with sufficient technical data to enable us to evaluate your request. We will provide you with notification of approval or disapproval within 30 days after receipt of your request. We will approve a request if we determine that a modified specification is appropriate or that any equipment or supply meets our specifications then in effect. We may perform tests to determine if any equipment or supply meets our specifications. We will charge you a fee to cover our out-of-pocket expenses, plus our then-current per diem charges for our personnel, for any required testing or inspection.

Any signs, logos, emblems or pictorial materials used for your business must meet our specifications. Also, at least 1 exterior sign of stated design and size, if permitted by local sign ordinances, must be used for the premises.

See Item 11 for specifications on computer systems and advertising.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 70% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 70% to 80% of your total purchases and leases of goods and services to operate your business.

At this time, we have no purchasing or distribution cooperatives. In the future, however, we may establish cooperatives and require you to participate in them.

Negotiated Purchase Agreements

Our affiliate, Gramcor eComm, LLC, has made a deal with distributors to receive discounted rates for the Coffee/Espresso Machine and Doughnut Machine that are required purchases for Retail store franchisees. There is no markup on the prices for products purchased through our affiliate.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section In Franchise or Other Agreement	Section In Area Development or Other Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	5.1 & 5.2	8	5, 7, 8 & 11
(b) Pre-opening purchases/leases	5.4, 5.6, 14, 15 & 17	Not applicable	5, 7, 8 & 11
(c) Site development and other pre-opening requirements	5 & 15	7 & 8	5, 7, 8 & 11
(d) Initial and ongoing training	11	Not applicable	5, 6, 8 & 11
(e) Opening	5.5	7	7, 8 & 11
(f) Fees	9, 10.2, 11.2, 13.7, 14.6, 16, 21.3, 22.1, 25.2, 26.4 & 27.4	5 & 6	5, 6 & 7
(g) Compliance with standards and policies and Confidential Operations Manual	1, 12 & 14	8.1	8, 11 & 14
(h) Trademarks and proprietary information	19 & 20	Recital B & 11	13 & 14
(i) Restrictions on products/services offered	7	None	8, 11 & 16
(j) Warranty and customer service requirements	Not applicable	Not applicable	Not applicable
(k) Territorial development and sales quotas	Not applicable	Not applicable	12
(l) Ongoing product/service purchases	5.4 & 14	Not applicable	6 & 8
(m) Maintenance/appearance/remodeling requirements	15	Not applicable	6, 7 & 8
(n) Insurance	17	Not applicable	6, 7 & 8
(o) Advertising	16	Not applicable	6, 7, 8 & 11
(p) Indemnification	24	13	6 & 8
(q) Owner's participation/management/staffing	I4	4	6 & 15
(r) Records and reports	13	7.3	8
(s) Inspections and audits	13.7 & 22	Not applicable	6, 8 & 11
(t) Transfer	25	14	6 & 17
(u) Renewal	3.2	2.2	6 & 17
(v) Post-termination obligations	27	16	17
(w) Non-competition covenants	21	11.2	17
(x) Dispute resolution	29.6 & 32	21	6 & 17

Item 10

FINANCING

Neither we nor any affiliate offers direct or indirect financing or guarantees your notes, leases or obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

A. FRANCHISE AGREEMENT

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

Before you open your business, we will provide you with:

(1) Initial materials for establishing a DD business (Franchise Agreement, Section 10.1(a)). Currently, the initial materials include a pre-opening manual, checklists, construction and build-out specifications, and an approved vendor list.

(2) Initial training for you and up to 2 of your managers. (Franchise Agreement, Sections 10.1(c) and 11). (See "Training" below).

(3) Provide you Intranet access to our manuals ("Manuals"). While our Manuals are in digital format, the Table of Contents to our Manuals is attached as Exhibit K to this Disclosure Document. The Manuals currently consist of 148 pages and over 800 pages of information and support materials in the Franconnect library. (Franchise Agreement, Sections 10.1(d)).

(4) Specifications for equipment, supplies and services to be used under the DD system (Franchise Agreement, Sections 10.1(f) and 14).

(5) Samples of initial advertising and marketing materials (Franchise Agreement, Section 10.1(g)).

(6) Design and sign specifications for your premises; assistance with space planning, and a preliminary layout for your premises (Franchise Agreement, Sections 5.3 and 15).

(7) Assistance with site selection, construction, set-up and opening (Franchise Agreement, Section 10.1(k)).

(8) Guidance in organizing your business (Franchise Agreement, Section 10.1(l)).

(9) Our standard pricing schedule for products and services offered by your DD location. We encourage you to charge the prices in the standard pricing schedule as it is revised periodically, but you will have the right to sell your products and services at any prices you determine, except to the extent that we exercise our right to establish maximum prices for any products or services during advertising promotions. (Franchise Agreement, Sections 8.1 and 10.1(b)).

During the operation of your business, we will:

(1) Provide reviews and analyses of your operations (Franchise Agreement, Section 10.1(m)).

(2) At our option, offer annual regional or national conferences designed to encourage the exchange of information and new ideas between us and our franchisees. You may be required to pay us fees for these conferences based on our out-of-pocket costs to

hold the conferences (Franchise Agreement, Sections 10.1(c) and 11.2(c)).

(3) Distribute to you reports of improvements in administrative, bookkeeping, accounting, marketing and other operating procedures, as they are developed (Franchise Agreement, Section 10.1(h)).

(4) Update our manuals to incorporate improvements and new developments in the DD system, including improvements in products and services you offer to your customers. These revisions may be made at any time (Franchise Agreement, Section 12.2).

(5) Provide periodic telephone and electronic mail assistance on daily operations, marketing, advertising, financial management and other operating issues that you encounter (Franchise Agreement, Section 10.1(i)).

(6) Make available to you initial training of replacement managers at a location that we determine. You must pay us fees for this training only if we provide replacement manager training to you at a location other than our corporate training center (Franchise Agreement, Sections 10.1(c) and 11.2(b)).

(7) Make reasonable efforts to negotiate, enter into and maintain, through volume purchasing, contracts for equipment, supplies and services that we make available for your purchase (Franchise Agreement, Section 14.3).

(8) Review proposed equipment, supplies or service contracts to determine if they meet specifications under the DD system (Franchise Agreement, Section 14.2).

(9) Administer a system-wide advertising and promotional fund. (Franchise Agreement, Sections 16.1 and 16.2) (See "<u>Advertising and Promotional Fund</u>" below).

(10) At our option, provide Intranet access to our manuals, franchisee resources and company news (Franchise Agreement, Section 10.1(n)).

(11) Maintain a website and provide you with a standard listing on our website in accordance with our manuals. You may not establish your own website or promote or place your DD store on any platform unless it has been approved by us. (Franchise Agreement, Section 10.3).

<u>Advertising and Promotion</u>

<u>Advertising and Promotional Fund</u>

You must contribute 2% of your Gross Sales to an advertising and promotion fund ("fund"). All franchised businesses will contribute on an equal basis to the fund. Company-owned businesses will not contribute to the fund. We reserve the right to increase the fund contribution up to 4% of your Gross Sales after 30 days' notice to you. (Franchise Agreement, Section 16.1)

The fund primarily will be used for media development, public relations and advertising that generally will be placed in regional media and involve periodicals and newspapers. We may use an independent regional advertising agency to prepare marketing materials.

We will administer the fund and, on your written request, make an annual unaudited financial statement available for your review about 90 days after fiscal year end. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the fund, neither we nor any affiliate will receive any payment for providing products or services to the fund. We will not use the fund to solicit prospective franchisees. If we spend more than the contributions accumulated in the fund during any fiscal year, we may receive, on demand, reimbursement in later years to the extent of the excess expenditure.

We will not be required to spend any amount from the fund on advertising or promotions in your area. If any contributions to the fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they will remain in the fund for use in following years. We may terminate the fund at any time, but we will not do so until all monies in the fund have been spent for the purposes described in the franchise agreement or returned to contributors on a prorated basis. If we terminate the fund at any time, we may later re-instate the fund at any time.

In our previous fiscal year ending December 31, 2023, we expended a total of $56,453.29 of advertising contributions, which includes funds that were rolled over from last year. Of this amount, 81% was spent on media production and 19% was spent on media placement. No funds were used principally to solicit new franchise sales.

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

Franchisee Advertising Council

We may form an advertising council of franchisees. The council will advise us on advertising and promotional policies. Franchisees will elect some or all of the members of the council. The council will serve in an advisory capacity only and have no operational or decision-making power. The council will operate under its own bylaws, but we will have the right to change or dissolve the council. (Franchise Agreement, Section 16.2(g))

Grand Opening Advertising

You must advertise and promote the opening of your business according to a grand opening marketing program we approve. Upon the earlier of i) 30 days before the scheduled opening, or ii) prior to training, you must remit to us $5,000 that we will spend on your behalf to promote your retail location both before and after you open for business, and for your Grand Opening (which generally occurs 30 days after your soft opening). Your grand opening expenditures will be for items such as balloons, banners and cooperative coupons mailed to households in your territory. (Franchise Agreement, Sections 9.17 and 16.5)

Local Advertising

Upon the earlier of i) 30 days before the scheduled opening, or ii) prior to training, you must remit to us funds covering five months' worth of your initial monthly local advertising requirement (see Section 9 of Franchise Agreement). We will spend these funds on your behalf commencing in month 2 of your operations and continue through month 6 of your operations. We will use these funds as we see fit to promote your retail location. Franchisees must remit $10,000. (Franchise Agreement, Section 16.3)

You must submit to us, for our approval, all media and materials to be used for local advertising, unless the media and/or materials have been approved before or unless we provided the materials. All materials containing our proprietary marks must include the designation we specify. If you do not receive written approval of any materials submitted within 15 days from the date we receive the materials, the materials are not approved. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you will have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising.

You must include in any significant display advertisements and in marketing materials for your DD location, in conformance with standards in our manuals, a notice that your business and/or location is individually owned and operated. Subject to any legal restrictions, you also must display or make available in the DD location reception area marketing materials that we provide to you about the purchase of DD franchises, but you have no responsibility or authority to act for us in franchise sales.

Commencing in month 7 and through month 12, you must spend at least $2,000 per month on local advertising. Commencing in month 13 of your operations and continuing through the end of the term of the Agreement, you must spend at least $1,000 per month on local advertising. If other DD retail locations are located in your region, you must participate in any local advertising cooperative that we establish or cause to be formed, if we require your participation. You may not solicit business outside your territory through the use of a toll-free number, direct mail, a website, electronic communications or other advertising methods without our prior written approval.

You may have as many telephone numbers and telephone directory listings for your business as you choose, and we will assign "dapperdoughnut.com" email addresses for your franchised business ("listings"). We will own all rights to the listings, and you must transfer them to us on the expiration, termination, repurchase or transfer of the franchise, at your expense. You must sign an authorization that grants us the right to change, transfer or terminate your listings on your behalf on expiration, termination, repurchase or transfer of the franchise (see Attachment 2 to the franchise agreement). (Franchise Agreement, Section 16.4)

On our primary website, we will provide you with a standard listing for your business in accordance with our manuals. You may not establish your own website to promote your business.

We may establish a cooperative advertising program for the benefit of all franchisees within a particular region. We have the right to (a) allocate any portion of the advertising and promotional fund to the cooperative advertising program; and (b) collect and designate all or a portion of the expenditures for local advertising required in Section 16.3 of the franchise agreement for the cooperative advertising program. We will determine the geographic territory and market area for any cooperative advertising program. You must participate in any cooperative advertising program established in your region if we require your participation. If a cooperative advertising program is implemented in a particular region, we may establish a cooperative marketing committee for franchisees in that region to self-administer the program. (Franchise Agreement, 16.2(h))

Incentive or Convenience Programs

Because customer incentive or convenience programs may be effective methods to spur customer visits, you must offer for sale, and honor for purchases by customers, any incentive or convenience programs that we may periodically establish. You must follow our standards and specifications for the programs as described in our manuals or otherwise in writing. We may require you to participate in a system-wide gift card or loyalty card incentive program from our approved supplier (see Item 8). (Franchise Agreement, Section 8.3)

Computer Hardware and Software

You must purchase and use computer hardware and software that we specify. You must purchase a Point of Sale system and a back-office computer and software system that we have authorized for use; currently our Point of Sale system is Square.

You will use the Point of Sale system as a cash register. It will be networked to the back-office computer system and used for functions such as accounting, database and contact management, facilities management, food and beverage analysis reports, communications, and word processing.

There will be software we require you to use that supports personnel-related functions, such as employee timekeeping, employee scheduling, payroll processing, inventory management and communication. Your use of those modules is non-mandatory. You may use those modules or alternate software to handle personnel-related functions, or you may handle personnel-related functions in any other manner that you choose.

We have established these specifications for all new DD locations, based on our research into currently available technology. We reserve the right to change these specifications from time to time upon notice to you.

You may purchase any necessary installation and training for required software from suppliers of your choosing. You must purchase a 1-year warranty, where available. You must periodically upgrade or replace the software, and must install and regularly update anti-virus, anti-malware and any other protective software as we specify. You must ensure that such protective software is active at all times. We estimate that your annual cost for these upgrades will be no more than $2,000.

We may assist you in obtaining computer hardware, software and related services, but we are not obligated to do so. We are not required to provide you with updates and support for any software, but we may provide you with mandatory and non-mandatory templates designed to be used with the software used in the operation of your business. In our sole discretion, in the future, we may provide you with proprietary software for reasonable fees.

Unless we expressly provide otherwise in writing, we do not warranty any required computer hardware or software, and we disclaim all implied warranties to the extent permitted by law. Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You should determine for yourself whether or not any 3rd party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services.

As a component of your Point of Sale system, you must subscribe to an online computer network on which we will have the ability to access your accounting and record-keeping data. There are no contractual limitations on our right to access this data. Currently, the cost for an online computer network subscription is about $350 per month. Your online computer network subscription, in addition to permitting us to exchange ideas and transfer data throughout the DD system.

Training

You will receive the following initial training before and during the opening of your new DD business:

TRAINING PROGRAM

Subject	Number of Hours		Location
	Classroom/Virtual	On-The-Job	
OPERATIONS MANUAL	17.0	0	**Remote/Virtual**
MARKETING	3.5	0	**Remote/Virtual**
EMPLOYEE ONBOARDING	2.0	0	**Remote/Virtual**
EMPLOYEE TRAINING	4.0	0	**Remote/Virtual**
FRANCONNECT-Operations	3.0	0	**Remote/Virtual**
FRANCONNECT-Development & Growth	1.0	0	**Remote/Virtual**
FRANCONNECT-Marketing	2.0	0	**Remote/Virtual**
FRANCONNECT-Human Resources	2.0	0	**Remote/Virtual**
HANDS ON TRAINING			**On-Site**
- New Store Opening	0	30.0	
- Soft Opening Training	0	20.0	
Total	**34.5**	**50.0**	

The hours devoted to each subject are estimates only and may vary substantially based on how quickly trainees grasp the material, their prior experience with the subject, and scheduling. Additional on-the-job training will be conducted at your location before and during the opening of your DD location. The location of in-person training may change from time to time at our discretion.

Our current instructors, George Grammenopoulos, Konstantinos Grammenopoulos and Marilyn Grammenopoulos have from 7 to 35 years of experience with the subject matter. We will use our manuals as the basis for instruction.

If you are an individual, you and your original manager must attend and successfully complete initial training to our satisfaction. If you are a legal entity, your managing shareholder, partner or member and your original manager must attend and successfully complete initial training to our satisfaction.

We will send a maximum of two (2) representatives ("Trainers") to your store to provide initial training to you and your managers and provide support for the friends & family and soft opening. All of your staff must attend training during the days prior to the soft opening and at times designated by the Trainers. One of the trainees must be the owner-operator of the franchised business.

You will be required to pay for our Trainers travel, lodging and meals for the period of the training at your store. Travel will include air flights and car rental. We will pay for our Trainers salary. The trainers will arrive a maximum of five (5) days before the friends & family event for the initial training. Will support and train the two (2) days of the friends & family events. And continue to support and train a maximum of three (3) days after the soft opening.

You or your trained original manager must train your other employees and independent contractors before the opening and during the operation of your business.

We will not charge you for initial training unless you send more than 3 trainees (see Item 6), but you must pay your trainees' travel, lodging and meal expenses, and their wages and benefits, during training.

Each year at our option, we may schedule a regional or national conference. You (or your managing shareholder, partner, or member) must attend this conference. The focus of the conference generally will be discussion and review of new business and marketing trends and methods. At our option, we may charge you a proportionate share of our out-of-pocket costs for each annual conference.

You (or your managing shareholder, partner, or member) and/or any previously trained manager must attend any refresher or follow-up training that we designate. We will not charge you for this training, but you must pay your trainees' travel, lodging and meal expenses, and their wages and benefits, during training (see Item 6).

Training for replacement managers is required and provided on the same terms as the initial training provided for you**,** except that there will not be a fee for the training if it occurs at our corporate training location in El Paso, Texas (see Item 6).

Training for transferees of the franchised business will be required and provided on the same terms as the initial training provided for you. Training for replacement managers and transferees will occur at a time we schedule on a space-available basis, and may not be available immediately after the replacement manager is hired or the transferee assumes control.

Site Selection

Initially, we approve an interim reserved area within which you must locate a site for your business. We will assist you in evaluating proposed sites based on information that you provide to us and on other information that we consider relevant. We may, but we are not required to, visit proposed sites with you. You may not sign a lease for a proposed site until you have submitted a copy of the lease to us and received our written approval. We will accept or not accept a proposed site (within 30 days after you propose it in writing with appropriate documentation as stated in our manuals) based on factors such as neighborhood, traffic patterns, access, parking, size, layout, length of availability, the terms of any proposed lease, sublease or purchase contract, and other factors. If we do not accept a proposed site, you must locate another site. If you and we cannot agree on a site, we may terminate the franchise. Your acquisition of any proposed site before our acceptance of the site will be your sole risk and responsibility, and will not obligate us in any way to accept the site. Our acceptance of a proposed site is not in any way our warranty or representation as to the suitability of the site for a DD location. (Franchise Agreement, Section 5.1)

Opening of Business

You must open for business within 9 months after signing your franchise agreement. However, if you are delayed from opening within 9 months, you must provide us with a written request to extend the time. Your request must state: 1) that a delay is anticipated; 2) the reasons that caused the delay; 3) the efforts that you are making to proceed with opening; and 4) an anticipated date on which you will open. In considering the request, we will not unreasonably withhold our consent to a delay, up to a maximum of 60 days, if you have been diligently pursuing opening. (Franchise Agreement, Section 5.5) If, for any reason you do not open within 6 months or any additional time to which we have consented, we may terminate your franchise.

The typical length of time between the signing of a franchise agreement and the opening of a business is 6 to 9 months, subject to our opening schedule availability. Factors that may affect this time include your ability to obtain business licenses and permits and when you complete initial training, locate a site, negotiate a lease, sublease or purchase contract, and complete any construction or renovation of your facility.

B. AREA DEVELOPMENT AGREEMENT

Our Obligations

If you comply with the terms of your area development agreement, we may not franchise or license others, or ourselves directly or indirectly develop, own, lease, construct or operate, any DD retail locations in the geographic area covered by your area grant.

You will open each DD retail location under an individual franchise agreement. Therefore, we have no pre-opening, training, opening or post-opening obligations under an area development agreement.

Area and Site Selection

We and you will agree on an area as described in Item 12 of this disclosure document. If we and you cannot agree on an area, we will not enter into an area development agreement with you.

As stated in 12.A, you will select the site of each DD location in the area, subject to our written acceptance of each site. If we disapprove a site, you must locate another site.

Item 12

TERRITORY

A. FRANCHISE AGREEMENT

For the DD retail franchise, we grant to you a protected territory for a specific location that we first must approve ("Approved Location" or "Territory"). As a retail franchisee, you will also have the option to purchase a trailer for your business; you can operate this trailer anywhere within a 2.5 mile radius of your Approved Location. If no Approved Location exists at the time you sign your Franchise Agreement, we will provide you with various areas that could serve as an Approved Location. If no Approved Location is made at the time of signing, once we agree to your location, it will be made into an addendum to your Franchise Agreement. We will generally identify the protected Territory by attaching a map to the franchise agreement.

Protected Territories generally contain an approximate population of 100,000 people.

A downtown or dense suburban Territory may be based on the level and concentration of commercial activity in an area, rather than on the population in a territory. We will determine the population or commercial activity in an area by using information from the most recent census tracts available from the U.S. Census Bureau or from other sources. We reserve the right to define and assign protected Territories, in our sole discretion, based on one or a combination of factors including, but not limited to, population, commercial activity, number of households, geographic proximity, concentration of labor force, transportation or commuting patterns, and natural or political boundaries.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your protected Territory gives you rights not to have another DD retail business operate within the geographic area designated as your Territory.

We will grant you a franchise for a specific accepted site within the Territory. The site may not be changed without our written approval and compliance with our relocation procedures, and you may not operate out of any site other than the accepted site within the territory without our written approval. All sales must be made from the accepted site.

Depending on availability, you may reserve a specific Territory for your franchise location for up to 30 days before you sign a franchise agreement by paying us a $5,000 deposit. At the end of 30 days, if you have been diligently working with us, you may make a written request to extend the reservation for an additional 30 days, which we may grant or deny in our sole discretion. The deposit will be credited against the initial franchise fee and is fully refundable in the event you don't sign a franchise agreement. See Item 5 for more information regarding fees.

You may not solicit business outside your Territory through the use of a toll-free number, direct mail, a website, electronic communications or other advertising methods without our prior written approval.

Your rights to a Territory do not give you exclusivity within a given geographic area. Other DD franchisees or DD affiliate operators may conduct DD business within non- traditional venues (see below) in your Territory. You may face competition through these non-traditional venues from other franchisees, from outlets that we own, or from other channels of distribution, or competitive brands that we control. However, your territorial rights restrict us from establishing or operating, or granting any person other than you the right to establish or operate a traditional DD retail location within your Territory.

We and our affiliates, designees, and assignees may, without offering you the right to participate: (a) establish and operate, and grant others the right to establish and operate, DD retail locations or DD food truck businesses at places anywhere outside your Territory, including locations near your Territory's boundaries; (b) establish and operate, or grant others the right to establish and operate, DD food truck businesses in or outside your Territory; (c) offer and sell products and services that are the same as the products and services offered by DD businesses, or different products and services, using different trademarks in or outside your Territory; (d) establish and operate, and grant others the right to establish and operate, DD locations that are located within non-traditional venues, such as convention centers, airports, casinos, sports facilities, theme parks, hospitals, transportation facilities, venues in which master concessionaires provide foodservice, and similar captive market locations in or outside your Territory; (e) sell any products, using DD trademarks or different trademarks, through alternative channels of distribution, such as grocery stores, convenience stores and the internet in or outside your Territory; (f) acquire and continue to operate, directly or indirectly, any business operating under different trademarks in or outside your Territory; (g) acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business operating under different trademarks in or outside your Territory; (h) acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) or establish and promote other franchise systems involving different products or services using different trademarks, and establish company-owned or franchised outlets for those systems in or outside your Territory; (i) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any other person, including a competing business, even if such person operates, franchises and/or licenses businesses in close proximity to your DD retail location; and/or (j) engage in other activities not prohibited by the franchise agreement.

During the term of the franchise, your Territory may not be modified except by a written agreement between you and us. On renewal or transfer of your franchise, the Territory may be modified. Depending on the then-current demographics of the Territory we offer, and on our then-current standards for defining such Territories, if your existing Territory is larger than our then-current standard Territory, we may require you or the transferee to accept a smaller renewal or transfer Territory.

The protected Territory is not dependent on the achievement of any stated sales volume or market penetration. As a single-unit franchisee, you do not receive the automatic right to acquire additional franchises.

B. <u>AREA DEVELOPMENT AGREEMENT</u>

We grant you an area that is based, in part, on population density and market demand for DD retail location products and services. The area generally will be defined by 5-digit ZIP codes, county or city boundaries, or fixed geographical boundaries such as rivers, streets or highways, and will contain 100,000 population per retail Territory with average household income levels of $30,000 or higher per DD retail location to be developed (your "Development Area").

You must develop franchised DD retail locations in your Development Area according to a development schedule. This development schedule normally requires that you open 1 DD retail location every 12 months. You must be in compliance with all previously executed franchise agreements for DD locations in order to be eligible to open new DD retail locations. If you do not comply with the development schedule, or if any of your franchises are terminated for any reason, we may do any or all of the following: (a) to terminate the Development Area grant; (b) to terminate your Development Area protection; or (c) to reduce the size of the Development Area. We do not generally grant a right of first refusal to obtain additional Development Area(s).

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Depending on availability, you may reserve a specific Development Area for development for up to 30 days before you sign a Development Area development agreement by paying us a $10,000 deposit. At the end of 30 days, if you have been diligently working with us, you may make a written request to extend the reservation for an additional 45 days, which we may grant or deny in our sole discretion. The deposit will be credited against the Development Area development fee and is fully refundable in the event you don't sign a Development Area development agreement. See Item 5 for more information regarding fees.

Your rights to a Development Area, and to any corresponding Territories encompassed within the Development Area, do not give you exclusivity within a given geographic region. Other DD franchisees or DD affiliate operators may conduct DD business within non-traditional venues (see below) in your Development Area, and other DD food truck businesses may operate within the same geographic area in which you have been granted your Development Area and corresponding Territories. You may face competition through these non-traditional venues from other franchisees, from outlets that we own, or from other channels of distribution, or competitive brands that we control. However, your Development Area rights restrict us from establishing or operating or granting any person other than you the right to establish or operate, traditional DD retail locations within your Development Area, except as provided in your franchise agreement.

We and our affiliates, designees, and assignees may, without offering you the right to participate: (a) establish and operate, and grant others the right to establish and operate, DD retail locations or DD food truck businesses at places anywhere outside your Development Area, including locations near your Development Area's boundaries; (b) establish and operate, or grant others the right to establish and operate, DD food truck businesses in or outside your Development Area; (c) offer and sell products and services that are the same as the products and services offered by DD businesses, or different products and services, using different trademarks in or outside your Development Area; (d) establish and operate, and grant others the right to establish and operate, DD locations that are located within non-traditional venues, such as convention centers, airports, casinos, sports facilities, theme parks, hospitals, transportation facilities, venues in which master concessionaires provide foodservice, and similar captive market locations in or outside your Development Area; (e) sell any products, using DD trademarks or different trademarks, through alternative channels of distribution, such as grocery stores, convenience stores and the internet in or outside your Development Area; (f) acquire and continue to operate, directly or indirectly, any business operating under different trademarks in or outside your Development Area; (g) acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business operating under different trademarks in or outside your Development Area; (h) acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) or establish and promote other franchise systems involving different products or services using different trademarks, and establish company-owned or franchised outlets for those systems in or outside your Development Area; (i) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any other person, including a competing business, even if such person operates, franchises and/or licenses businesses in close proximity to your DD retail location; and/or (j) engage in other activities not prohibited by the franchise agreement.

We currently do not operate or franchise, and do not have any plans to operate or franchise businesses under different trademarks, where the businesses sell similar or different products or services.

Item 13

TRADEMARKS

Our predecessor, Chicago Doughnut Franchise Company LLC, has granted us an irrevocable, perpetual, exclusive license to use and sublicense the Marks below through a License Agreement. We grant you the non-exclusive right and obligation to use the trademark, service mark and trade name DAPPER DOUGHNUT, and other trademarks, service marks, trade names, logos, trade dresses, and commercial symbols (collectively, "trademarks") that we make available to you, for providing products and services under the DD system at your business. You may not use any of our trademarks as part of any legal entity name, website address, email address, domain name or other identification in any print, electronic or other medium, or with any prefix, suffix or other modifying word, term, symbol or design.

Federal Registrations

Our predecessor has the following trademarks registered on the Principal Register in the U.S. Patent and Trademark Office, which are licensed to us and sub-licensed to our franchisees:

Mark	**Registration Date**	**Registration Number**
THE DAPPER DOUGHNUT	September 12, 2017 Renewed: February 23, 2024	5287121
THE DAPPER DOUGHNUT	May 1, 2018	5459973
THE DAPPER DOUGHNUT	March 10, 2020	6008309
	March 14, 2023	6999994
	March 14, 2023	6999996
	March 14, 2023	6999997

THE DAPPER DOUGHNUT EST. 2015	April 30, 2023	7370319

Our predecessor has filed, and intends to continue to file, all required renewal applications and affidavits for the trademarks.

Our predecessor has filed the following trademarks on the principal register with the U.S. Patent and Trademark Office, which are licensed to us and sub-licensed to our franchisees:

Mark	Filing Date	Serial Number
DAPPER DRIVE	March 12, 2024	98446335
DAPPER DOUGHNUT	March 15, 2024	98451345
DAPPER DOUGHNUT	March 15, 2024	98451344
DAPPER DOUGHNUT	March 15, 2024	98451341
DAPPER DOUGHNUT Fresh Treats & Coffee	March 15, 2024	98451332
DAPPER DOUGHNUT	March 15, 2024	98451349
DAPPER DOUGHNUT	March 15, 2024	98451347

We do not have a federal registration for these trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark at your own expense.

Determinations

There are no currently effective material determinations of the USPTO, any Trademark Trial and Appeal Board, any state trademark administrator or any court, nor are there any pending interference, infringement, opposition or cancellation proceedings or material litigation, involving any of the trademarks in any manner that is material to the franchised business. There are no decided infringement, cancellation or opposition proceedings in which we unsuccessfully fought to prevent registration of another trademark to protect the trademark.

Agreements

There are no agreements currently in effect that significantly limit our rights to use or to license the use by franchisees of the trademarks in any manner that is material to the franchised business.

Protection of Rights

We will control any administrative proceedings or litigation involving the trademarks. You must notify us promptly of any use by any person or legal entity other than us or our franchisees, of any of our trademarks or any variation of any of our trademarks. We will decide the actions to be taken against the use of any of our trademarks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong and progressive actions (that may include bringing litigation) against that use. Any actions that we take will be at our expense.

You must notify us promptly of any litigation brought against you involving any of our trademarks, and you must deliver to us copies of any documents for the litigation that we request. We will decide whether to settle or defend any trademark litigation brought against you. If we decide to take either action, we will do so at our expense, but you must cooperate with us. If the defense does not involve issues concerning the operation of your franchise, we will reimburse you for your out-of-pocket costs. If we decide not to defend or settle any trademark litigation brought against you, you must defend or settle the litigation at your expense.

Because your telephone listings, email addresses and domain names ("listings") will be associated with 1 or more of our trademarks, we will own all rights to the listings, and all goodwill generated from the use of the listings will inure to our benefit. See Items 9 and 11.

We may acquire or develop additional trademarks, and may use those trademarks ourselves, make those trademarks available for use by you and other DD locations, or make those trademarks available for use by other persons or entities. You may not directly or indirectly contest our rights in our trademarks.

Indemnification of You

We will indemnify you to the extent that litigation involves defending against infringement or unfair competition if you are using our trademarks in accordance with the franchise agreement and our manuals, you allow us sole control of the defense and settlement of any claim and if you give us notice of a claim within 30 days after you learn about the claim.

Modification of Trademarks

We may require you to modify or use a substitute for any trademark. If we do, you must pay your cost of compliance. We will allow you sufficient time to make the change in a cost effective matter. We also may require you to use and display a notice in a form we approve that you are a franchisee under the DD system using the trademarks under a franchise agreement.

Superior Prior Rights or Infringing Uses

We do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and other materials that we have created are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of promoting your franchised business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. All of the provisions in Item 13 under the heading "Protection of Rights" also apply to copyrights; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

Proprietary Information

We have a confidential operations manual that is proprietary and copyrighted, and that contains both mandatory standards and specifications, and non-mandatory guidelines and recommendations, for the development and operation of your business. Item 11 describes the confidential operations manual. We also have other proprietary, copyrighted and confidential materials and product recipes, and may develop additional manuals, materials and product recipes, for the operation of your business. All confidential manuals, materials and product recipes provided to you are for your exclusive use during the term of the franchise, and may not be reproduced, copied, loaned to, used by or shown to any person outside the DD system without our permission.

You must have each employee or independent contractor sign an agreement before you grant him or her access to our manuals, or our confidential materials or product recipes, in which he or she agrees to the confidentiality of the DD system, agrees not to use any information about the DD system for his or her own benefit without an appropriate license, and agrees not to compete in certain respects with your business and other franchisees' businesses (see **Exhibit E**).

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. If you are an individual, you and your original manager, or only your original manager, must attend and successfully complete initial training (see Item 11). If you are an individual, you or a trained manager must personally manage your business at all times.

If you are a legal entity, your managing shareholder, partner, or member and your original manager, or only your original manager, must attend and successfully complete initial training. If you are a legal entity, your managing shareholder, partner, or member, or a trained manager, must personally manage your business at all times. Any replacement manager must attend and successfully complete initial training. Neither an original manager nor a replacement manager needs to have an equity interest in your business.

You must have each manager, each management employee or independent contractor, and each person attending initial training, before you grant him or her access to our manuals or any other confidential information, sign an agreement in which he or she agrees to the confidentiality of the DD system, agrees not to use any information about the DD system for his or her own benefit without an appropriate license, and agrees not to compete in certain respects with your business and other franchisees' businesses. Our current form of this agreement is included as **Exhibit E**.

If you are a legal entity, each shareholder, principal officer, partner, or member must personally guarantee your obligations under the franchise agreement and also agree to be personally bound by, and personally liable for breach of, the franchise agreement. This guaranty agreement is included as Attachment 5 to the franchise agreement. Spouses not involved in the franchised business are not required to sign a personal guaranty.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell only products and services that we have approved or authorized. You may not offer for sale or sell products or services that would detract from or be inconsistent with the DD system. You may use products or services not purchased from us, but those products or services must be of comparable quality and must be approved by us in writing before use to ensure maintenance of proper quality standards. You may not use or permit the use of your premises for any other purpose or activity at any time without first obtaining our written consent. Your DD location must be a non-smoking facility.

You must offer for sale all approved products and services; must not deviate from our specifications for the approved products, services and suppliers without our written consent; and must discontinue offering any items that we disapprove in writing.

You must offer for sale and honor any incentive or convenience programs for customers that we may periodically institute, including any gift-card programs, in compliance with our standards and specifications for the programs (see Items 8 and 11 for more information). You must offer and honor any discounts that are part of any incentive or convenience program.

We will provide you with our standard pricing schedule for products and services offered by your DD location. We encourage you to charge the prices in the standard pricing schedule as it is revised periodically, but you will have the right to sell your products and services at any prices you determine, except to the extent that we exercise our right to establish minimum or maximum prices for any products or services. If we establish minimum or maximum prices for any products or services, you will have the right to charge any prices above the minimum prices or below the maximum prices, but will not be permitted to charge prices below the minimum prices or above the maximum prices.

We may change the types of products and services that we approve or authorize, if the products and services are compatible with the DD system. There are no other limits on our right to make these changes.

You must be open for business each week for minimum hours and days as stated in our manuals, unless you are limited by local government regulation or you obtain a written variance from us. All sales must occur at or from your premises. You must offer carry-out services. You may, but are not required to, offer catering services.

You are not restricted in the customers to whom you may sell approved products or services but you may not solicit business outside your territory through the use of a toll-free number, direct mail, a website, electronic communications or other advertising methods without our prior written approval.

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<u>**Item 17**</u>

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

A. FRANCHISE AGREEMENT

This table lists certain important provisions of the franchise agreement and its attachments. You should read these provisions in the agreements in Exhibit B in this disclosure document.

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	3.1	10 years
(b) Renewal or extension of the term	3.2	You have the right to renew for successive 10-year terms, if you meet the requirements for renewal.
(c) Requirements for franchisee to renew or extend	3.2	Notice, solvency, right to remain in possession of premises, no ceasing to do business, no danger to public, no repeated defaults or misrepresentations to us, timely submission of reports, no felonies or illegal conduct, signing of the then-current agreement, renewal fee, remodeling (if we require). If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
(d) Termination by franchisee	Not applicable	Not applicable
(e) Termination by franchisor without cause	Not applicable	Not applicable
(f) Termination by franchisor with cause	Article 26	We may only terminate the franchise with cause.
(g) "Cause" defined – curable defaults	26.3	<u>10 Days to Cure</u>: failure to pay us or any affiliate any sum owing when due; failure to submit any information when due; failure to submit proof of insurance when due. <u>30 Days to Cure</u>: Failure to start or complete training on schedule, failure to comply with franchise agreement or our manuals, including: failure to maintain any standard or specification; unauthorized product or service offer; failure to obtain our prior written acceptance, approval or consent; misuse or unauthorized use of our system or trademarks; failure to pay personal attention to business; failure to maintain books and records; failure to pay any 3rd party (including any major supplier or taxing or licensing authority) any amount owing when due; failure to satisfy any other material obligation relating to your business.

Provision	Section in Franchise Agreement	Summary
(h)"Cause" defined – non-curable defaults	26.1 26.2	<u>Automatic Termination</u>: general assignment for creditors, involuntary bankruptcy petition not dismissed within 60 days, filing of voluntary bankruptcy petition, adjudication of bankruptcy, court-appointed receivership, foreclosure suit not dismissed within 30 days, premises or equipment sold after levy. <u>Termination on Notice</u>: insolvency; ceasing to operate business; criminal conviction; harmful improper activity; danger to public; repeated defaults; material misrepresentation; transfer, or failure to transfer, in violation of franchise agreement; violation of noncompetition or confidentiality provisions; tax lien, levy or enforcement suit; failure to purchase or lease a site on schedule; failure to submit a lease for approval before execution; underpayment or under-reporting of any amount due us by 5% or more for any 3-month period; termination of another franchise for a restaurant; failure to comply with any U.S. anti-terrorism, anti-corruption, anti-money-laundering, anti-boycott, immigration, or related law, ordinance, regulation, or Executive Order.
(i) Franchisee's obligations on termination/non-renewal	Article 27	Fulfillment of continuing obligations under franchise agreement; de-identification; no use of our system, trademarks, confidential information, materials; delivery to us of our manuals, other materials received from us and customer data, and all copies of the same; assignment to us of telephone number(s); assignment to us of email addresses, etc.; cancellation of assumed name or equivalent registrations containing our trademarks; final accounting; sale to us of assets and transfer to us of lease (at our option); see also (r).
(j) Assignment of contract by franchisor	25.1	There are no restrictions on our right to assign our interest in your franchise agreement.
(k) "Transfer" by franchisee – defined	25.2	Includes the conveyance or pledge of any interest in you (if you are a legal entity), franchise agreement or any related agreement, the franchise, or your business.
(l) Franchisor approval of transfer by franchisee	25.2	We have the right to approve all transfers. Our consent will not be unreasonably withheld.
(m) Conditions for franchisor approval of transfer	25.2(b), 25.3, & 25.6	Substantial compliance with franchise agreement; transferee qualification; payments current; general release; written transfer agreement; transferee's signing of then-current franchise agreement; transferee's agreement to complete training; transfer fee; no exercise of our right of first refusal; equipment and premises updated to our then-current specifications; our consent to material terms of transfer; and subordination of obligations of transferee to transferor.

Provision	Section in Franchise Agreement	Summary
(n) Franchisor's right of first refusal to acquire franchisee's business	25.5	We may match any offer.
(o) Franchisor's option to purchase franchisee's business	25.5 & 27.3	On your death, disability or dissolution, your interest in the franchise must be transferred to an approved person within 240 days. Otherwise, we have the right (but not the duty) to purchase the assets of your business and obtain a transfer of your lease to us. Also, on expiration or termination of the franchise, we have the right (but not the duty) to purchase the assets of your business and obtain a transfer of your lease to us.
(p) Death or disability of franchisee	25.6 & 25.7	We have the right (but not the duty) to appoint a manager for your business pending transfer. See also (o).
(q) Non-competition covenants during the term of the franchise	21.2, 21.3, & 21.4(a)	No diversion of business, customers or personnel; no involvement in Competitive Business anywhere in the U.S.
(r) Non-competition covenants after the franchise is terminated or expires	21.3, 21.4(b) & 21.10	No diversion of personnel for 1 year; no involvement for 2 years in Competitive Business in your territory, in the territory of any DD business operating or in planning at time of expiration or termination, within a 25-mile radius of any of any DD business operating or in planning at time of expiration or termination, or in the area of any DD area developer operating at the time of expiration or termination.
(s) Modification of the agreement	28.2	Your franchise agreement may not be modified without your and our consent, but we may change the contents of our manuals; we may modify our system; and a court may modify any provision of the franchise agreement under applicable law.
(t) Integration/merger clause	28.1	Only terms of franchise agreement, including its attachments are binding (subject to state law). Any representations or promises outside of this disclosure document and the franchise agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	29.6 & 32.1	If not resolved by voluntary mediation, all disputes must be litigated in the county or city in which our home office is located at the time (subject to state law).
(v) Choice of forum	32.4	Litigation in courts nearest our home office at the time (subject to state law).
(w) Choice of law	29.6	North Carolina law applies, except the law of the state where the largest geographic portion of your territory is located applies to non-competition covenants (subject to state law).

B. AREA DEVELOPMENT AGREEMENT

This table lists certain important provisions of the area development agreement and its related agreement. You should read these provisions in the agreements in Exhibit C in this disclosure document.

Provision	Section in Area Development or Related Agreement	Summary
(a) Length of the area grant term	2	Based on number of locations agreed to be developed, stated in Development Addendum
(b) Renewal or extension of the area grant	Not applicable	Not applicable.
(c) Requirements for area developer to renew or extend	Not applicable	Not applicable.
(d) Termination by area developer	15.4	Not applicable.
(e) Termination by franchisor without cause	Not applicable	We may only terminate the area grant with cause.
(f) Termination by franchisor with cause	15.1, 15.2, & 15.3	With cause (automatic termination); with cause and notice; with cause, notice and 30 days to cure.
(g) "Cause" defined – curable defaults	15.3	Failure to properly maintain books and records, to pay personal attention to business, to obtain prior approvals, etc., to provide required information or amounts when due or to satisfy any other material obligation to us or 3rd parties; misuse or unauthorized use of our system or trademarks; failure to comply with development schedule; 30-day cure for listed defaults.
(h) "Cause" defined – non-curable default	15.1	Automatic Termination: general assignment for creditors; involuntary bankruptcy petition not dismissed within 60 days; filing of voluntary bankruptcy petition; adjudication of bankruptcy; court-appointed receivership; foreclosure suit not dismissed within 30 days; premises or equipment sold after levy.
"Cause" defined –non-curable defaults	15.2	Termination on Notice: insolvency; criminal conviction; harmful improper activity; repeated defaults; material misrepresentation; underpayment or underreporting of any amount due us or any affiliate by 5% or more for any 3-month period; transfer, or failure to transfer, in violation of area development agreement; violation of confidentiality provisions; tax lien, levy or enforcement suit; termination of any franchise for a restaurant.
(i) Area developer's obligations on termination/non-renewal	Article 16	No use of our materials, designations (including our trademarks), system or confidential information; return or destruction of materials; cancellation of assumed name or equivalent registrations containing our trademarks; final accounting; see also (r).
(j) Assignment of contract by franchisor	14.1	No restriction on our right to assign.

Provision	Section in Area Development or Related Agreement	Summary
(k) "Transfer" by area developer – defined	14.2	Includes the conveyance or pledge of any interest in you (if you are a legal entity), the area development agreement or any related agreement, the area grant, or any franchised business.
(l) Franchisor's approval of transfer by area developer	14.2(a)	We have the right to approve all transfers, but our consent will not be unreasonably withheld.
(m) Conditions for franchisor's approval of transfer	14.2(b)	Substantial compliance with area development agreement and franchise agreements; transferee qualification; payments current; general release; written transfer agreement; transferee's signing of then-current area development agreement; transferee training; transfer fee; no exercise of our right of first refusal; our consent to material terms of transfer; subrogation of transferee's rights in assets for amounts financed to our rights; see also (n).
(n) Franchisor's right of first refusal to acquire area developer's business	14.5	We may match any offer.
(o) Franchisor's option to purchase area developer's business	Not applicable	Not applicable.
(p) Area developer's death or disability	14.6 & 14.7	Area grant must be transferred to an approved person within 240 days of representative's appointment.
(q) Non-competition covenants during the term of the area grant	Not applicable	Not applicable
(r) Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable
(s) Modification of the agreement	17.2	Your area development agreement may not be modified without your and our consent, but we may change the contents of our manuals; we may modify the DD system; and a court may modify any provision of the area development agreement under applicable law.
(t) Integration/merger clause	17.1	Only terms of area development agreement, including its attachments are binding (subject to state law). Any representations or promises outside of this disclosure document and the area development agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	18.6 & 21.1	Except for voluntary mediation, all disputes must be litigated in the county or city in which our home office is located at the time (subject to state law).
(v) Choice of forum	21.4	Litigation in courts nearest our home office at the time (subject to state law).
(w) Choice of law	18.6	North Carolina law applies (subject to state law).

Item 18

PUBLIC FIGURES

We do not use any public figures 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.

Background

As of December 31, 2023, there were four franchised locations open and operating. Two of these locations were open for the entire 2023 fiscal year: a retail store and a food trailer. One retail location opened in June 2023 and the other operated as a food truck under a different model than what is offered in this Disclosure Document, which is why we have not included data from these two locations.

The following charts show the historical revenue and expenses for the retail store and the food trailer for the 2023 fiscal year. Under the Franchise Agreement in this Disclosure Document, franchisees have the option, within the first twenty-four months execution, to purchase and operate a food trailer as part of your retail business and cannot be purchased at execution. When the food trailer franchisee signed their franchise agreement, franchisees had the option to purchase just a food trailer. Other than this, there is no material or operational differences between the locations disclosed here and the business offered under this Disclosure Document. The Revenue data in this Item 19 was reported to us by the franchised locations through their accounting software and has not been audited or independently verified by us.

RETAIL STORE **Opened: September 2019**		
	YE 2023	**%**
Revenue		
Revenue	**$ 473,669.00**	**100.0%**
COGS	**$ 104,207.18**	**22.0%**
Net Rev.	**$ 369,461.82**	**78.0%**

FOOD TRAILER **Opened: May 2019**		
	YE 2023	**%**
Revenue		
Revenue	**$ 218,345.00**	**100.0%**
COGS	**$ 29,751.75**	**13.6%**
Net Rev.	**$ 188,593.25**	**86.4%**

Expenses		
Payroll	$ 82,100.70	17.3%
Health Benefits	$ -	0.0%
Rent	$ 57,500.00	12.1%
Phone/Internet	$ 1,284.00	0.3%
Credit Card Processing & Merchant Fees	$ 33,630.50	7.1%
Loan Exp	$ -	0.0%
Accounting	$ 4,200.00	0.9%
Legal	$ -	0.0%
Equipment (Smallware)	$ 2,888.00	0.6%
Roaylty	$ 23,683.45	5.0%
Brand Fund	$ 9,473.38	2.0%
Travel	$ -	0.0%
Client Entertain	$ -	0.0%
Marketing (Local Store)	$ 12,000.00	2.5%
Total Overhead	**$ 226,760.03**	**47.9%**
Total Expenses	**$ 226,760.03**	**47.9%**
Net Surplus (Deficit)	**$ 142,701.79**	**30.1%**

* OWNER SALARY & FINANCING NOT INCLUDED

Expenses		
Payroll	$ 66,503.50	30.5%
Health Benefits	$ -	0.0%
Credit Card Processing and Merchant Fees	$ 8,215.10	3.8%
Event Fees	$ 5,366.90	2.5%
Repair & Maintenance	$ 15,204.14	7.0%
Fuel Expense	$ 11,550.35	5.3%
Loan Exp	$ -	0.0%
Accounting	$ -	0.0%
Legal	$ -	0.0%
Equipment (Smallware)	$ 2,014.00	0.9%
Royalty	$ 10,917.25	5.0%
Brand Fund	$ 4,366.90	2.0%
	-	-
Total Overhead	**$ 124,138.14**	**56.9%**
Total Expenses	**$ 124,138.14**	**56.9%**
Net Surplus (Deficit)	**$ 94,206.86**	**43.1%**

* FINANCING NOT INCLUDED

Notes

- "COGS" means costs of goods sold and includes food, ingredients, toppings, sauces, syrups to make food products, and paper products (boxes, trays, napkins, plastic cutlery, bags) to serve food products.

- "Fuel Expenses" means the regular unleaded fuel for the pick-up used to tow the food trailer, and the fuel for the generator when used.

- "Revenue" means all receipts of the Franchised Business, including all amounts received on a cash, charge or time basis, and including the value of all products or services received for products or services provided, without reserve or deduction for inability to collect, and including any proceeds from any business interruption or similar insurance applicable to any revenue loss of the Franchised Business, but excluding: excise, sales and use taxes; gross receipts taxes or similar taxes separately stated to and collected from customers for transmittal to appropriate taxing authorities; bona fide discounts and refunds to customers; and receipts from pre-approved vending machines located in the Franchised Business, except for any amounts representing your share of the receipts.

- Regarding payroll for the retail store, the franchise owner operates the store full-time and is not included in the payroll figure. For the food trailer, the franchise owner operates the Food Trailer full-time and brings in employees to select events. Otherwise, they operate the Food Trailer themselves. The Franchisee owner is not included in the payroll figure.

- The credit card processing fees were paid to Square. The merchant fees were paid to third-party delivery companies (DoorDash, Uber Eats, Grubhub, EZ Cater).

- Rent for the retail store includes base rent, common area maintenance, taxes, insurance, and center fees. This location is 900 sq. ft.

- Regarding the repair and maintenance under the food trailer chart, the food trailer is five years old as of when this data was compiled and requires more maintenance than a newly-built trailer under warranty. This figure also includes propane for the doughnut fryer.

- The equipment (smallware) rows re for smallware replenishment. Because the retail store underwent renovations and updates in 2023, their costs were higher in 2023 compared to other years.

- Our food trailer was granted a special exception to operate without the need for a retail location in addition to the food truck. We no longer allow for this exception.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, 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 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 our management by contacting Konstantinos Grammenopoulos at info@dapperdoughnut.com, Dapper Doughnut Franchise, LLC 6135 Park South Drive, Suite 510, Charlotte, NC 28210, the Federal Trade Commission and any appropriate state regulatory agencies.

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Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-wide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2021	6	7	+1
	2022	7	5	-2
	2023	5	4	-1
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	**2021**	**6**	**7**	**+1**
	2022	**7**	**5**	**-2**
	2023	**5**	**4**	**-1**

Table 2
Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
CO	2021	0
	2022	0
	2023	1
TX	2021	0
	2022	0
	2023	1
Total	**2021**	**0**
	2022	**0**
	2023	**2**

Table 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
CA	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
	2023	0	0	0	0	0	0	0
CO	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MS	2021	1	2	1	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	2	0	0	0	0
NE	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
NV	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
TX	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total Outlets	**2021**	**6**	**2**	**1**	**0**	**0**	**0**	**7**
	2022	**7**	**0**	**2**	**0**	**0**	**0**	**5**
	2023	**5**	**1**	**2**	**0**	**0**	**0**	**4**

<u>Table 4</u>
Status of Company-Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total Outlets	**2021**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**

(*Remainder of page intentionally left blank*)

Table 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
CA	0	2	0
CO	0	1	0
FL	3	4	0
MO	0	1	0
NC	0	1	0
NE	2	2	0
NV	0	1	0
NY	0	1	0
TX	2	2	0
UT	2	2	0
WA	2	2	0
Total	**11**	**19**	**0**

Exhibit H is a list of the names, outlet business addresses and outlet business telephone numbers of our franchisees as of December 31, 2023.

Exhibit I is a list of the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of franchisees who had franchises terminated, cancelled, not renewed or reacquired by us (0); who transferred their franchises (0); who otherwise voluntarily or involuntarily ceased to do business (or never opened) under their franchise agreements during our most recent fiscal year (0); or who had not communicated with us within 10 weeks of the issuance date of this disclosure document (0).

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

Former franchisees have signed confidentiality clauses with us during the last 3 fiscal years which would restrict them from speaking openly with you about their experience with us.

Item 21

FINANCIAL STATEMENTS

Exhibit G contains our unaudited balance sheet as of October 31, 2024 and our unaudited profit and loss statement for the period from January 1, 2024 to October 31, 2024 as well as our audited financials as of December 31, 2023, December 31, 2022, and December 31, 2021.

Our fiscal year end is December 31.

Item 22

CONTRACTS

Exhibit B includes the franchise agreement and all attachments, as follows:

Attachment 1A – Reserved Area Addendum
Attachment 1B – Site & Territory Addendum
Attachment 2 – Telephone and Internet Service Transfer Consent and Authorization
Attachment 3 – ACH Origination Authorization
Attachment 4 – Legal Entity Information Sheet
Attachment 5 – Guaranty Agreement
Attachment 6 – Lease Addendum
Attachment 7 - State Rider to Franchise Agreement

Exhibit C includes the area development agreement, state riders and all attachments, as follows:

Attachment 1 – Area Addendum
Attachment 2 – Development Addendum
Attachment 3 – Legal Entity Information Sheet
Attachment 4 – Guaranty Agreement
Attachment 5 – State Rider to the Area Development Agreement

Exhibit D includes the Franchise Compliance Questionnaire.

Exhibit E includes the suggested form of Manager/Supervisor Confidentiality and Noncompetition Agreement.

Exhibit F includes a sample form of general release to be signed on transfer or renewal.

Item 23

RECEIPTS

Exhibit L includes detachable documents acknowledging your receipt of this disclosure document.

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-4026	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	Attn: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulations 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance-Securities Regulations
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B

FRANCHISE AGREEMENT AND ATTACHMENTS

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3 ACH Origination Authorization
4 Legal Entity Information Sheet
5 Guaranty Agreement
6 Lease Addendum
7 State Rider to the Franchise Agreement

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into between Dapper Doughnut Franchise, LLC, a North Carolina limited liability company with its principal office at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("we", "us" or "our") and ____________ ____ whose address is ______________________ ____ ("you" or "your").

RECITALS

A. We have expended time, skill, money and effort to develop a system for establishing and operating DAPPER DOUGHNUT ("*DD*") businesses that offer hot mini doughnuts, hand decorated to order in assorted glazes and toppings, coffee, coffee beverages (*e.g*. espresso, latte), teas and other beverages (the "*System*").

B. We also have expended time, skill, money and effort in publicizing the System and the products and services offered under the System. We have developed and will continue to develop valuable goodwill in the service mark, trademark and trade name DAPPER DOUGHNUT®, and in its trade dress; and have or may develop or acquire other service marks, trademarks, trade names and trade dresses for use under the System, all of which marks, names and dresses are or will be our sole property (the "*Marks*").

C. We franchise others to use the System and the Marks and provide to you continuing advice on the establishment and operation of a DD business.

D. You desire to establish and operate a DD business, to use the Marks and all other elements of the System, and to derive the benefits of the System as developed by us. You acknowledge that it is essential to the maintenance of the high standards which the public has come to expect of DD products and services, and to the preservation of the integrity and goodwill of the Marks, that you adhere to the standards for the establishment and operation of a DD business.

In consideration of the recitals above and of the terms below, we and you agree:

1. GRANT OF FRANCHISE

1.1 Subject to the terms of this Agreement, we grant to you the right, and you undertake the duty, to establish and operate a DD business (the "*Franchised Business*") at a particular location approved by us (the "Site") for the term described in Section 3 (the "*Franchise*"). Your Franchise rights include the grant of a territory, as defined below ("*Territory*"). You will not have the right to establish any other type of Franchised Business other than the type(s) identified in the Franchise Concept Addendum.

1.2 The Franchise includes the right and obligation to sell DD products and services.

1.3 The Franchise includes the right and obligation to use the complete System, as it exists or may be supplemented or modified during the term of the Franchise. You agree that the System will continue to evolve to reflect changing market conditions and to meet new and changing consumer and business demands, and that variations and additions to the System may be required to preserve and enhance the public image of the System and to ensure the continuing operational efficiency of DD businesses generally. Accordingly, you agree that we may, on notice and acting reasonably, add to, modify, upgrade and change the System, including the adoption and use of new and modified, upgraded or changed service marks, trademarks, trade names, trade dresses, equipment, techniques and methodologies relating to the preparation, marketing, promotion and sale of DD products and services, but any additions, modifications, upgrades or changes may not unreasonably increase your obligations under this Agreement or place an excessive economic burden on the Franchised Business. You further agree to promptly accept, implement, use and display in the operation of the Franchised Business all of those additions, modifications, upgrades and changes at your expense.

2. RESERVED AREA, SITE, TERRITORY, AND OUR RESERVATIONS OF RIGHT

2.1 Reserved Area. If you have not located a Site for the business by the time of execution of this Agreement, you agree that you will seek to locate the business only at a Site acceptable to us within the geographic area ("*Reserved Area*") identified in the Reserved Area Addendum (Attachment 1A).

2.2 Site. When you have located a site for the business acceptable to us, the Site will be identified in the Site & Territory Addendum (Attachment 1B). The site must be a fixed retail location that meets our standards and requirements, which we may change from time to time in our sole discretion. If the possession or ownership of or lease for the Site of the business expires or terminates without fault of you, or if the Site is destroyed, condemned or otherwise rendered unusable, or if in our judgment there is a change in character of the Site of the business sufficiently detrimental to its business potential to warrant its relocation, we may grant you permission to relocate the business to another Site acceptable to us within the Territory. Any relocation will be at your sole expense.

2.3 Territory.

(a) We will grant you a Territory around the Site (if any when you have identified a Site that we have approved of), and the Territory will be identified in the Site & Territory Addendum (Attachment 1B). You acknowledge that the Territory may be different from the Reserved Area and is not defined solely by geography. You will have the option, within the first twenty-four (24) months after executing this Agreement, to purchase and operate a food trailer as part of your retail business. If you do so, you will be able to operate your food trailer anywhere within the Territory. If you do not purchase and begin operating a food trailer within twenty-four (24) months after the execution of this Agreement, then you shall not have the right to operate a DD food trailer. Your food trailer, if opted to use, will be a component of the Franchised Business and must be operated in strict conformity with all of your obligations under this Franchise Agreement. During the term of the Franchise, we will not establish or operate, or grant any person other than you the right to establish or operate, a DD retail business at any traditional venue in the Territory. You acknowledge and understand that we may offer distinct types of DD business opportunities, some or all of which may operate in the same or overlapping geographic areas.

(b) Your operation of the Franchised Business is subject to our rules and specifications, and any other rules and guidelines we may establish, any of which we may modify in our sole discretion upon written notice to you.

(c) We reserve the right to define the Territory. Although we generally consider population to be a primary factor in determining a Territory, we reserve the right to define the Territory, in our sole discretion, based on one or a combination of factors including, but not limited to, population, commercial activity, number of households, geographic proximity, concentration of labor force, transportation or commuting patterns, and natural or political boundaries. Generally, the Territory may be defined by 5-digit ZIP codes, county or city boundaries, a radius, or fixed geographical boundaries such as rivers, streets or highways.

2.4 Our Reservations of Right. We, on behalf of ourselves and our affiliates, designees and assignees, reserve the sole and absolute right, without offering you the right to participate:

(a) to establish and operate, and grant to others the right to establish and operate, DD retail locations or DD food truck businesses at places anywhere outside the Territory, including locations near the Territory's boundaries;

(b) in or outside the Territory, to offer and sell products and services that are the same as the products and services offered by DD businesses, or different products and services, using DD trademarks or different trademarks;

(c) in or outside the Territory, to establish and operate, and to grant others the right to establish and operate, DD businesses that are located within non- traditional venues, such as convention centers, airports, casinos, hotels, sports facilities, theme parks, hospitals, transportation facilities, venues in which master concessionaires provide foodservice, and similar captive market locations;

(d) in or outside the Territory, sell any products, using DD trademarks or different trademarks, through alternative channels of distribution, such as grocery stores, convenience stores, and the internet;

(e) to acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) and continue to operate, directly or indirectly, any business operating under different trademarks in or outside the Territory;

(f) to acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business operating under different trademarks in or outside the Territory;

(g) in or outside the Territory, to acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) or to establish and promote other franchise systems involving different products or services using different trademarks, and establish company-owned or franchised outlets for those systems;

(h) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any other person, including a competing business, even if such person operates, franchises and/or licenses businesses in close proximity to the Franchised Business; and/or

(i) to engage in other activities not expressly prohibited by this

Agreement.

3. TERM OF FRANCHISE

3.1 Initial Term. The Franchise will begin on the date we execute this Agreement, will continue for an initial term of ten (10) years unless sooner terminated under Section 26, and will expire at the end of the initial term or any renewal term unless renewed under Section 3.2.

3.2 Renewal Terms. You will have the right to renew the Franchise for successive ten (10)-year terms if:

(a) You have given us written notice, not more than one (1) year and not less than one hundred and eighty (180) days before the expiration of the prior term, of your intention to renew;

(b) You are solvent (are able to pay your debts as they come due and have assets that are greater than your debts), have not lost the right to remain in possession of the premises where the Franchised Business is located, have not abandoned the Franchised Business, are not operating the Franchised Business in a manner that endangers public health or safety, have not repeatedly committed defaults of this Agreement during the prior term, have not repeatedly failed to submit timely reports to us during the prior term, and have not repeatedly submitted false or incomplete reports to us during the prior term;

(c) You, or any of your principal officers, partners, or members if you are a legal entity have not been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our sole judgment, to have an adverse effect on the Marks, the System, the goodwill associated with the Marks or System, or our interest in the Marks or System;

(d) You have signed our then-current franchise agreement for the renewal term and paid us a renewal fee equal to twenty percent (20%) of our then-current initial franchise fee for a comparable 1st franchise of the same DD business type. You acknowledge that our then-current franchise agreement may contain terms substantially different from those in this Agreement, including, but not limited to, different DD business types, different fees, advertising contributions, training requirements and territory. Depending on the then-current demographics of the Territory, and on our then-current standards for territories, if the Territory is larger than our then-current standard territory, we may require you to accept a renewal territory smaller than the Territory;

(e) At our option, you remodel the Franchised Business to conform it to our then-current requirements, except that you will not be required to expend more than five percent (5%) of your prior year's Gross Sales to accomplish any required remodeling; and

(f) We are still offering and selling DD franchises. If we are no longer offering and selling DD franchises, then we are not obligated to renew this Agreement or otherwise extend the term, and this Agreement will expire at the end of the term.

4. PERSONAL ATTENTION OF FRANCHISEE OR MANAGER TO BUSINESS

4.1 You (or if you are not an individual, your principal operating officer, partner or member), or a Manager who has successfully completed all required initial training, must personally manage the Franchised Business at all times.

4.2 You understand and agree that the success of the Franchised Business will depend on personal, continued and full-time attention to the business by you, your principal operating officer, partner or member, or your Manager. Personal, continued, and full-time attention will include at least: availability during normal and peak business periods; participation in the development and implementation of management and operational policies; and involvement in the training and supervision of employees and independent contractors to ensure that the System is followed.

5. ESTABLISHMENT AND MAINTENANCE OF BUSINESS

5.1 Selection of Site. You represent that you own or will lease or purchase a Site for the Franchised Business, in accordance with our requirements. For purposes of this Agreement, the term "lease" includes a sublease. If the Site of the Franchised Business has not been located by you and accepted by us before execution of this Agreement, it is your obligation to locate and lease or purchase a Site suitable for the operation of the Franchised Business and acceptable to us in the Reserved Area within 6 months after execution of this Agreement. If you are delayed from completing the lease or purchase of the Site within 6 months of executing this Agreement, you must immediately provide us with a written request to extend the time to complete such lease or purchase. The request must state: (1) that a delay is anticipated; (2) the reasons which caused the delay; (3) the efforts that you are making to proceed with the lease or purchase of the Site; and (4) an anticipated date that you will close on the purchase of, or sign the lease for, the Site. In considering the request, we will not unreasonably withhold our consent to a delay, up to a maximum of sixty (60) days, if we determine in our sole discretion that you have been diligent in both finding and closing the lease or purchase of the Site. We will not unreasonably withhold acceptance of any Site that meets our minimum standards for size, layout, and demographics. We will give you written notice of acceptance or rejection of the proposed Site within a reasonable time after receiving written notice of your proposed Site and letter of intent or other evidence satisfactory to us confirming your favorable prospects of obtaining the proposed Site.

5.2 Lease for Site. Any lease or replacement lease for the Site, or any lease for acceptable substitute Site, must include the Lease Addendum attached to this Agreement as Attachment 6 or equivalent provisions in place of the addendum that we approve. You agree to provide us with a copy of the lease before execution, and you agree not to sign the lease until you have received our written approval. You agree not to modify the lease in any way that would adversely affect our rights without our written approval. Your execution of a lease or purchase agreement for the Site of the Franchised Business will constitute acceptance by you of the Site and of the terms of the lease or purchase agreement and a waiver of any claim or right against us relating to the choice of the Site or the terms of the lease or purchase agreement. You acknowledge that our acceptance of any Site does not constitute any assurance that a DD business will be profitable at that Site or more profitable at that Site in comparison to other Sites. Our acceptance is only an indication that the particular Site meets our minimum criteria.

5.3 Development of Business. You agree to develop the Franchised Business in accordance with our specifications. You will, promptly after obtaining possession of the site of the Franchised Business, and before opening, do or cause to be done all of the following:

(a) Before building out the Site of the Franchised Business, prepare and submit to us for acceptance, which will not be unreasonably withheld, plans for the Franchised Business (or any deviations from the plans) (including, but not limited to, plans for construction, dimensions, exterior design, materials, interior layout, equipment installation, fixtures, furniture, signs and decorating), which plans must comply with our specifications for a DD business. In connection with the preparation and any modification of the plans, we will provide you with assistance regarding the design and layout of the Franchised Business (including a preliminary layout for the premises), and the selection of equipment and supplies. After being accepted, the plans may be further modified only to the extent necessary to comply with applicable ordinances and building codes, and applicable permits, lease and deed requirements and restrictions. All plans and modifications will be subject to our prior written acceptance.

(b) Obtain all required building, driveway, utility, sign and business permits and licenses, and any other required permits and licenses necessary for the establishment and operation of the Franchised Business.

(c) Construct all required improvements to the premises, decorate the premises in compliance with plans and specifications accepted by us and otherwise conform the premises to all applicable ordinances and building codes, and all applicable permit, lease and deed requirements and restrictions and our specifications, as modified by you with our prior written approval to fit the particular Site, and obtain all customary contractors' sworn statements and partial and final waivers of liens for construction, remodeling, decorating and installation services.

(d) Purchase, lease and install all equipment, fixtures, furniture and signs required for the Franchised Business as listed in our specifications.

5.4 Equipment, Fixtures, Furniture and Signs. You agree to use in the operation of the Franchised Business only those brands and models of equipment, fixtures, furniture and signs that we have approved for DD businesses as meeting our standards and specifications. Specifications may include minimum standards for design, appearance, function, performance, serviceability and warranties. You further agree to place or display at the premises of the Franchised Business (interior and exterior) only the signs, emblems, lettering, logos and display materials that we approve in writing. You may purchase approved brands and models of equipment, fixtures, furniture and signs from any supplier, including us or our affiliates, where applicable. If you propose to purchase any brand and/or model of equipment, fixture, furniture or sign which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings and/or other information or samples for a determination by us of whether the brand and/or model of equipment, fixture, furniture or sign complies with our standards and specifications, which determination will be made and communicated to you within a reasonable time. We will have the right to charge you a reasonable amount to cover the expenses incurred by us for any testing or inspection. See Section 14.2.

5.5 Business Opening. You agree to complete improvements and open the Franchised Business for business within nine (9) months after signing this Agreement, subject to our written approval ahead of your opening and our schedule availability. If you are delayed from opening within nine (9) months, you must immediately provide us with a written request to extend the time to open. The request must state: (1) that a delay is anticipated; (2) the reasons which caused the delay; (3) the efforts that you are making to proceed with opening; and (4) an anticipated date that you will open. In considering the request, we will not unreasonably withhold our consent to a delay, up to a maximum of sixty (60) days, if we determine that you have been diligently pursuing opening.

5.6 Grand Opening. You agree to conduct a grand opening marketing program that we approve for the Franchised Business. This marketing program will be in addition to marketing conducted under Sections 16.1 and 16.3 of this Agreement and will use marketing and public relations programs and media and advertising materials that we approve.

6. CONTINUOUS OPERATION OF BUSINESS

6.1 You must operate the Franchised Business on a continuous basis throughout the year and must be open for business each week for the minimum hours and minimum days stated in our manuals, which we may amend from time to time in our discretion, unless you are limited by local government regulation, or you obtain a written approval for varying hours and days of operation from us.

7. LIMITATIONS ON ACTIVITIES OF BUSINESS

7.1 In order to preserve the System and the identification of DD franchisees operating under the Marks, you agree that the Franchised Business will not engage in activities other than those approved under the System. You further agree that you must obtain our prior written consent to offer or sell any products or services other than those approved under the System.

7.2 You may not engage in any deceptive or unfair trade practice or other activity, or offer any service or product which is harmful to the goodwill or reputation of you, us, our franchisees generally, the System, or the Marks.

7.3 You must maintain the menu for the Franchised Business in the form provided or specified by us. We may require you to modify the menu on reasonable written notice. You may modify the menu only with our prior written consent, which we may not arbitrarily withhold, subject to the following procedures:

(a) You must submit to us, in writing, any proposed menu modifications;

(b) You must submit to us, if we request, samples of or recipes for any proposed new or modified menu items;

(c) Within sixty (60) days, we will notify you, in writing, whether any proposed menu modifications, or any proposed new or modified menu items, items have been approved or disapproved and, if disapproved, the reasons for the disapproval; and

(d) You must reimburse us for any costs incurred in reviewing or testing any proposed menu modifications, or any proposed new or modified menu items.

7.4 You may not maintain your own website in connection with the Franchised Business on the internet, or on any comparable electronic network of computers or other devices.

7.5 You may participate in electronic communications in connection with the Franchised Business, on the internet or on any comparable electronic network of computers or other devices, through emails, social media platforms or other means, only in accordance with our manuals and our written instructions particular to the communications, which we may amend from time to time in our discretion.

8. PRICING; GIFT CARDS; INCENTIVE OR CONVENIENCE PROGRAMS

8.1 Pricing. We will provide you with our standard pricing schedule for products and services offered by the Franchised Business. We encourage you to charge the prices in the standard pricing schedule as it is in effect and as it may be revised from time to time, but you will have the right to sell your products and services at any prices you determine, except to the extent that we exercise our right to establish maximum prices for any products or services, as described below. If you sell your products and services at the prices in the standard pricing schedule, you acknowledge that we have made no guarantee or warranty that offering the products or services at those prices will enhance your sales or profits. Regarding our right to establish maximum prices, to the fullest extent permitted by applicable law, we may establish maximum prices for certain products and services, in our sole discretion, on a nationwide or advertising market basis, or on a limited-time-only basis.

8.2 Gift Cards. We reserve the right to establish policies regarding the use of gift cards, stored value cards, courtesy cards, coupons, loyalty cards and other comparable marketing items for you and others. You agree that the Franchised Business will offer for sale only the gift cards, stored value cards, courtesy cards, coupons, loyalty cards and other comparable marketing items that we may authorize and/or require. You will not sell or otherwise issue gift cards, stored value cards, courtesy cards, coupons, loyalty cards or comparable marketing items without our express written authorization and we will have the right to withdraw or modify our authorization at any time. You will honor all validly issued gift cards, stored value cards, courtesy cards, coupons, loyalty cards or other comparable marketing items and will strictly follow all policies and procedures that we may periodically establish in this regard.

8.3 Incentive or Convenience Programs. You acknowledge and agree that incentive or convenience programs may be effective methods to encourage customer visits to the Franchised Business. You must offer for sale and honor any incentive or convenience programs for customers that we periodically institute, and must do so in compliance with any standards and specifications that we establish for such programs in our manuals or otherwise in writing.

9. FEES PAYABLE TO US

9.1 Initial Franchise Fee. If this Agreement is not being signed as part of a renewal or transfer of the Franchise, you must pay us an initial franchise fee of forty-five thousand dollars ($45,000) upon executing this Agreement. If you have signed an area development agreement with us, the initial franchise fee for your second and additional DD businesses to be developed under your area development agreement is ten thousand dollars ($10,000). If you paid a deposit to reserve a specific Territory for your franchise, that amount will be credited against the initial franchise fee you must pay. Except as stated herein, the initial franchise fee or any portion of the initial franchise fee is non-refundable and fully earned by us when paid. If, during initial training, we decide, in our sole discretion, that you should not operate a DD business, we may terminate this Agreement upon notice to you. If we terminate this Agreement during initial training, we will deduct our out-of-pocket expenses, including any broker referral fees, and may, but are not obligated to do so, refund up to twenty percent (20%) of the initial franchise fee if you agree to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3, 21.4(b), 21.5 to 21.8, 27.1 to

27.2, and 32.

9.2 Royalty; Weekly Minimum Royalty.

(a) Beginning in the first month after you open the Franchised Business for business and continuing through the term of this Agreement, you must pay us a weekly royalty fee (the "Royalty"). The amount of the Royalty fee shall be equal to the greater of (1) five percent (5%) of your Gross Sales (as defined below) from the immediately preceding week or (2) the weekly minimum royalty fee set forth below (the "Weekly Minimum Royalty"). The Royalty fee is due and payable weekly on Thursday of each week based on the Franchised Business's Gross Sales from the prior week, by electronic transfer. We will initiate the draft from your bank account. Each week, we require you to send us the "Weekly Franchise Report" then-specified in our manuals. During any period of business disruption, you must continue to pay us the average Royalty fee that you paid to us during the six (6) month period immediately preceding the period of business disruption. The Weekly Minimum Royalty is set forth in the chart below:

Year of Operation after Opening for Business	**Year 1**	**Year 2**	**Year 3**	**Year 4 through the end of the Term**
Weekly Minimum Royalty	$230 per week	$230 per week	$340 per week	$450 per week

NOTE: Year 1 for payment of the Weekly Minimum Royalty begins when you commence operations. Year 2 begins 12 months after the start of Year 1. Year 3 begins 12 months after the start of Year 2. Year 4 begins 12 months after the start of Year 3.

Your failure at any time to pay the Royalty, including the Weekly Minimum Royalty, if appliable, will constitute a material breach of this Agreement.

9.3 Interest and Late Fees. If any sum you must pay us under this Agreement is not actually received by us by the due date, that sum will bear interest calculated daily after the due date until paid at the lesser of a rate equal to one and a half percent (1.5%) per month or the highest rate of interest allowed by law. If the due date for a sum is not stated in this Agreement, generally it will be the thirtieth (30^{th}) day after the billing date. Any payment received toward an overdue sum will first be applied to the interest due and will be applied to the overdue sum only after all outstanding interest is paid. You also must pay a late fee of fifty dollars ($50) for each past due payment or late report. Interest and late fees will be in addition to any other rights or remedies that we have under this Agreement or otherwise. Regardless of your designation, we, in our sole discretion, may apply your payments to any of your past due indebtedness to us or our affiliates. See also Section 13.7.

9.4 Initial Inventory and Equipment. You must pay us or our affiliate directly for initial paper products. These products range from one thousand five hundred dollars ($1,500) to three thousand five hundred dollars ($3,500). Additionally, you must pay us or our affiliate directly for your initial coffee/espresso machine, estimated at fourteen thousand dollars ($14,000), as well as pay us directly for your initial doughnut making machine, estimated at fifteen thousand dollars ($15,000).

9.5 Reimbursements and Penalty Fees. You must reimburse us for any charges that we incur related to your payments to us under this Franchise Agreement, including any returned checks, declined wire transfers, charges or similar financial defaults. You also must pay us penalty fees for such defaults and for unpaid invoices to you for products or services, as outlined in our manuals.

9.6 Gross Sales. For purposes of this Agreement, "Gross Sales" mean all receipts of the Franchised Business, including all amounts received on a cash, charge or time basis, and including the value of all products or services received for products or services provided, without reserve or deduction for inability to collect, and including any proceeds from any business interruption or similar insurance applicable to any revenue loss of the Franchised Business, but excluding: excise, sales and use taxes; gross receipts taxes or similar taxes separately stated to and collected from customers for transmittal to appropriate taxing authorities; bona fide discounts and refunds to customers; and receipts from pre-approved vending machines located in the Franchised Business, except for any amounts representing your share of the receipts. Our current policy on coupons and gift cards is as follows: Coupons generate receipts that are included in "Gross Sales" when they are redeemed by customers. At that time, the full retail prices of the items sold under the coupons are included in receipts, and the discounts given under the coupons are excluded as bona fide discounts when calculating "Gross Sales." Gift cards generate receipts that are included in "Gross Sales" when they are redeemed by customers, not when they are sold. We may change this policy on reasonable written notice to you.

9.7 Withholding of Sums Payable. You agree that you will not, on grounds of the alleged non-performance by us of any of our obligations under this Agreement, withhold payment of any fee or other sum payable to us under this Agreement, or of any other sum payable to us or our affiliates.

9.8 Equipment, Supplies or Supplier Testing or Inspection, and Grant or Approval of Equipment, Supplies or Suppliers. See Section 14.2.

9.9 Electronic Payment Authorization. You must pay all on-going or periodic fees to us by automatic bank draft or electronic funds transfer on the due date that we specify for each fee. If the due date specified for any fee is not a business day, we will draft your account on the next business day. You agree to execute Attachment 3 or any comparable documentation necessary for us to effect an automatic bank draft or electronic funds transfer.

9.10 Unauthorized Product or Service Fee. If you offer any product or service that we have not authorized or approved, following written notice from us, you must: (i) cease and desist offering or providing the unauthorized or unapproved product or service; and (ii) pay us on demand, an unauthorized product or service fee of two hundred and fifty dollars ($250) per day for each day such unauthorized or unapproved product or service is offered by you. This fee will be in addition to all other remedies available to us under this Agreement or at law.

9.11 Grand Opening Advertising Advance Payment. Upon the earlier of i) thirty (30) days before the scheduled opening, or ii) prior to training, you must remit to us five thousand dollars ($5,000) that we will spend on your behalf to promote the Franchised Business for your Grand Opening (which generally occurs before and within thirty (30) days after your soft opening). This amount will be used by us to pay for, by way of example only, items such as Grand Opening decorations, one or more types of local advertising (*e.g.*, Facebook, Instagram, or other social media platform ads, traditional mailers, coupons, or the like targeted to households in your territory, etc.). We will use these funds as we see fit to promote the Franchised Business. We may use these funds on, and you agree to participate in, a joint Grand Opening program with other DD franchisees whose DD businesses are in the same advertising market and who are opening DD businesses at about the same time.

9.12 Initial Advertising Advance Payment. Upon the earlier of (i) thirty (30) days before the scheduled opening, or (ii) prior to training, you must pay us ten thousand dollars ($10,000.00). This amount will be used by us to pay for five (5) months' worth of your initial minimum monthly advertising requirement, commencing in month two (2) of your operations. We will use these funds as we see fit to promote the Franchised Business.

9.13 Technology Fee. We reserve the right to require you to pay us a weekly Technology Fee during the term of the Franchise Agreement upon notice to you. If we exercise this right, we may collect the then-current weekly Technology Fee from you in the same manner as we collect the Royalty fee. We may determine the amount of the Technology Fee in our sole discretion, but the Technology Fee will cover our actual costs for the technology and a reasonable administrative fee for arranging and maintaining the technology.

10. PRODUCTS AND SERVICES FURNISHED BY US

10.1 During the term of the Franchise, we provide the following:

(a) Our Confidential Operations Manual (paper copy or Intranet access);

(b) Our standard pricing schedule for products and services offered by the Franchised Business (see Section 8.1);

(c) Our initial training program as described in Article 11;

(d) Specifications for fixtures, equipment, inventory, supplies and services used under the System;

(e) Samples of initial advertising and promotional materials and assistance in implementing an initial advertising and promotional program; and

(f) Ongoing advice and consultation regarding operational issues that you bring to our attention.

10.2 If you request, we will furnish special guidance and assistance relative to the operation of the business, other than continuing assistance provided at no charge, at per diem charges we establish (currently five hundred dollars ($500) per day, plus our out-of-pocket expenses). If you request special training of your personnel or other assistance in operating the business that must take place at the location of the Franchised Business, you must pay all expenses for training, including our then-current per diem charges and all reasonable transportation, meal and lodging expenses incurred by our personnel supplying the additional assistance.

10.3 We will maintain a website (or multiple websites) on the internet, or on comparable electronic networks of computers or other devices, to advertise and promote the DD system, and products and services marketed by us and our franchisees. We will permit you to maintain a standard listing on our primary website so long as you are in compliance with this Agreement and our manuals, and we may charge a reasonable fee for providing this access. We may link our website(s) to other websites, to social media platforms and in other manners we choose, in our sole discretion. Any representations and warranties of any kind whatsoever, express or implied, regarding our website(s), including representations and warranties as to the operation, functionality, lack of interruption or resources of our website(s), are expressly excluded. Without limiting the foregoing, we disclaim any implied warranties of merchantability and fitness for a particular purpose as to our website(s). As to any malfunctioning of our website(s), we will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that these damages are possible as a result of any breach of warranty or malfunction.

10.4 Our obligations under this Agreement are to you. We may delegate our obligations to one of our affiliates or to a third party of our choosing. No other person or entity, directly, indirectly or by subrogation, may rely on, enforce or obtain relief under this Agreement for any default by us or our designated representatives.

11. TRAINING

11.1 You and your employees and independent contractors must maintain the standards of skill, efficiency and quality associated with the System.

11.2 To assist you in establishing and maintaining those standards, we will provide training as follows:

(a) We will provide you (or if you are not an individual, your principal operating officer, partner or member) and your original Manager and assistant Manager, if any, initial training for the operation of a DD business, at locations we designate. You (or if you are not an individual, your principal operating officer, partner or member) and your original Manager, if any, must successfully complete initial training to our satisfaction before opening the Franchised Business. We will bear the cost of providing initial training for up to three (3) trainees, including the cost of basic materials and instructors, but you must pay your trainees' travel, lodging and meal expenses, and their wages and benefits, during the training. If more than three (3) trainees are present for initial training, you will be required to pay an initial training fee (currently seven hundred and fifty dollars ($750)) per additional trainee in attendance.

(b) If the original or any succeeding Manager leaves your employ, a replacement Manager must successfully complete initial training at a location we designate, subject to our scheduling, within 8 weeks of the date of replacement. You must pay us our then-current training fee (currently five hundred dollars ($500) per person per day) as to that training, if we provide replacement Manager training to you in a location other than our corporate training center. Regardless of where the training is held, you must pay your replacement Manager's travel, lodging and meal expenses, and his or her wages and benefits, during the training.

(c) At our option, we may conduct an annual conference for our franchisees to discuss and review new business and marketing. The conference may be held on a regional or national basis. We will provide you with notice of the time and place of the conference, which time and place we will determine. You (or if you are not an individual, your principal operating officer, partner or member) or your Manager must attend the conference. For each of your representatives attending the conference, you must pay a non-refundable per-attendee fee to us equal to the approximate out-of-pocket cost of holding the conference if we are then charging this fee, and in all cases, you also must pay your attendees' travel, lodging and meal expenses, and their wages and benefits, during the conference.

(d) You (or if you are not an individual, your principal operating officer partner or member) and your Manager, if any, must successfully complete remedial or follow-up training if, in our sole and absolute judgment, that training is necessary. You must pay us our then-current training fee (currently five hundred dollars ($500) per day) for remedial or follow-up training if we provide this training to you in a location other than our corporate training center. Regardless of where the training is held, you also must pay your and your Manager's travel, lodging and meal expenses, and his or her wages and benefits, during the training.

11.3 Except as provided in this Article 11, you, your trained Manager (if any) or your other trained personnel are responsible for training your other employees and independent contractors.

11.4 If you request our trainers to give any initial, remedial or follow-up field assistance at your location, you must pay us our per diem charges (currently five hundred dollars ($500) per person per day) for those trainers, and you must reimburse us for the reasonable travel, lodging and meal expenses of those trainers.

11.5 We may require you to make reservations for trainees or attendees in advance of any training or conference. We may require deposits for those reservations (which may be refunded or, in our sole discretion, applied toward training or conference fees) and may charge cancellation fees if reservations are cancelled.

12. CONFIDENTIAL OPERATIONS MANUAL; ADDITIONAL MANUALS AND MATERIALS

12.1 We have developed a copyrighted Confidential Operations Manual containing both mandatory standards and specifications, and non-mandatory guidelines and recommendations, for the operation of the Franchised Business. The mandatory standards include mandatory policies and procedures. The Confidential Operations Manual is and will remain our exclusive property. You will merely be lent paper or read-only disk or other digital copies of, or be given intranet access to, the Confidential Operations Manual during the term of the Franchise. We also may lend you paper copies or read-only disk or other digital copies of, or give you intranet access to, additional manuals and materials we develop for aspects of the System. In order to protect our reputation and goodwill, the System, and the Marks, you must operate the Franchised Business in strict conformance with the Confidential Operations Manual and any additional manuals or materials we develop that are lent to you.

12.2 You agree that we may modify the System, and that modifications to the System may require modifications to our manuals, including the Confidential Operations Manual. You agree to operate the Franchised Business in strict conformance with any modifications to our manuals. Modifications will be effective on receipt by you, unless we otherwise state. You agree that we will not be liable to you for any expenses, losses or damages sustained as a result of any such modifications, that you will not commence or join in any litigation or other proceeding against us complaining about any such modifications, and that you expressly waive any claims, demands or damages arising from or related to any such modifications.

12.3 The mandatory standards and specifications in our manuals, and any modifications to them that we make, are provisions of this Agreement as if fully stated in this Agreement. All references in this Agreement to the "Confidential Operations Manual" or "our manuals" mean to the mandatory standards and specifications in those manuals, including all modifications to them as of the time they are in effect.

12.4 You must at all times ensure that any paper or read-only disk or other digital copies of our manuals are up-to-date and kept in a secure place. If there is any dispute as to their contents, the master copies of our manuals maintained at our headquarters will be controlling.

12.5 You must treat the Confidential Operations Manual, and the other manuals and materials we develop and provide to you, as confidential, and must take all reasonable precautions to maintain confidentiality of the manuals and materials. You may not, without our written consent, copy, duplicate, record, or otherwise reproduce the Confidential Operations Manual, or the other manuals or materials we develop and provide to you, in whole or in part, or otherwise make the same available to any person who is not bound by the confidentiality terms of this Agreement, or who has not signed a separate confidentiality agreement substantially similar to our approved form (see Section 20.2).

13. ACCOUNTING PROCEDURES

13.1 You must use computerized record-keeping and accounting systems as we require.

13.2 You recognize the importance of financial and statistical analysis, and agree to provide us with weekly and monthly reports in the forms and at the times and places required in our manuals. All financial information you provide to us must be prepared in accordance with accounting methods we accept.

13.3 You must provide us annually, within three (3) months after your fiscal year end, with a statement of revenues, expenses and income (or loss) for the year, and a statement of assets and liabilities as of the end of the year, which statements must be prepared in accordance with accounting methods we accept. At our option, we may require this statement to be prepared by an independent certified public accountant in accordance with the standards for a compilation or review. Simultaneously with this statement, you must provide us with copies of all tax returns you file for the year as to the Franchised Business, including federal and state income tax returns.

13.4 You must submit to us, within fifteen (15) days of our giving you notice, any other financial or statistical reports, records, statements, or information that we reasonably deem to be required or desirable, in the forms and at the times and places we reasonably state in our manuals or otherwise in writing.

13.5 All financial or statistical information you provide to us must be accurate and correct in all material respects.

13.6 We have the right to use any financial or statistical information you provide as we deem appropriate. We will not identify you as the source of that information, and will not disclose any information shown in any of your tax returns (other than information disclosed in other documents submitted to us) except: (i) with your permission; (ii) as required by law or compulsory order; or (iii) in connection with audits or collections under this Agreement.

13.7 During and for five (5) years after the term of the Franchise, we or our designated agents have the right, at all reasonable times, to examine, copy and audit your and the Franchised Business' books, records and tax returns. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest and a late fee as described in Section 9.9. If an examination or audit discloses an underpayment or understatement of any amount due us by three percent (3%) or more for any three (3)-month period, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, you must, in addition, reimburse us for the cost of having your books examined or audited. If an examination or audit discloses an underpayment or understatement of any amount due us by five percent (5%) or more for any three (3)-month period, we will have the right to terminate the Franchise under Section 26.2(o). These rights will be in addition to any other rights or remedies we have under this Agreement or otherwise.

13.8 During and for five (5) years after the term of the Franchise, you must maintain and preserve all books, records and accounts of the Franchised Business for at least five (5) years after the close of the fiscal year to which the books, records and accounts relate.

14. EQUIPMENT, SOFTWARE, SUPPLIES, PRODUCTS AND SERVICES

14.1 You may obtain your equipment, software, supplies, products and services from whomever you decide, except that:

(a) You will subscribe to an online computer network as we require;

(b) You will obtain from our exclusive or non-exclusive designated suppliers certain equipment, software, supplies, products and services as we require in our manuals. The purpose of these designations is to achieve and maintain quality and consistency in the System;

(c) You will obtain all other equipment, software, supplies, products and services that meet specifications listed in our manuals. The purpose of these specifications is to protect and maintain the goodwill of the System and the Marks; and

(d) You will participate in any purchasing or distribution cooperatives that we may establish, if we require your participation.

14.2 We reserve the right to inspect and re-inspect the products, supplies and facilities of your suppliers, to determine their conformity with this Section 14. We will maintain and make available to you a list of certain equipment, software, supplies and services that meet our specifications. We may modify this list. If you desire to use equipment or supplies not on the list, you will so notify us in writing before using the equipment or supplies and, if we so request, will provide us, at your expense, samples of the equipment or supplies and any relevant data. At our option, we will test any equipment or supply to determine whether it meets the required specifications and will notify you accordingly within a reasonable time. If we determine that any equipment or supply does not meet the required specifications, you agree that you will not use the equipment or supply in the Franchised Business. The supplier of any equipment or supply proposed for your use under this Section may be required to demonstrate to our reasonable satisfaction that:

(a) the supplier meets our specifications, including our quality, quantity, warranty, variety, service and safety specifications, for the equipment or supply and for the facilities used in the production and distribution of the equipment or supply;

(b) the supplier has the capacity to supply franchisee requirements;

(c) the supplier has a sound financial condition and business reputation; and

(d) the supplier will supply equipment or supplies to a sufficient number of our franchisees to enable us to economically monitor compliance by the supplier with our specifications.

14.3 We or an affiliate of ours may be an exclusive or non-exclusive designated supplier of a product or service, or may offer to sell to you products or services used in operating a DD business that you may purchase at your option. We or our affiliates will endeavor, to the extent we are able to do so based on total purchases by our franchisees, to negotiate volume purchasing arrangements for products and services, and to offer them to our franchisees at prices not otherwise generally available to the franchisees.

14.4 To the extent we are not the manufacturer of any equipment or supply that we may sell or provide to you, unless specifically stated otherwise in writing, we do not provide any warranty or guarantee to you or any third party, and you may not make any representation he contrary to any third party. If we are able to secure from any manufacturer any warranty, guarantee or assumption of liability that we are authorized to convey to you, we will so notify you.

14.5 Security deposits or advance payments may be required by us or our affiliates as to your purchases of fixtures, equipment or supplies by you. You agree to pay all invoices rendered by us or our affiliates for equipment or supplies within 30 days after the dates of the invoices.

14.6 You agree to obtain licenses to use and to use all software that we require in the operation of the Franchised Business, and to comply with all standards and specifications that we require regarding proprietary software. Proprietary software may be developed and integrated into the System in our sole discretion. We or our designee will provide any initial issuances, upgrades or updates of proprietary software to you for reasonable fees. To the extent required software contains modules for personnel-related functions, such as employee timekeeping, employee scheduling or payroll processing, you will have the option to use those modules, to use alternate software to handle those functions, or to handle those functions in any other manner that you choose.

15. DESIGN AND APPEARANCE OF BUSINESS

15.1 Condition and Appearance of Business. The condition and appearance of a DD business is part of our trade dress. You agree to maintain the condition and appearance of the Franchised Business consistent with our trade dress and the image of the business as a clean, attractive, modern, sanitary, convenient and efficiently operated facility selling high quality products and services. If at any time, in our reasonable judgment, the general state of repair, appearance or cleanliness of the premises of the Franchised Business or the equipment, fixtures, furniture, signs or decor does not meet our standards or specifications, we will so notify you, specifying the action to be taken by you to correct the deficiency. If you fail or refuse to initiate, within 30 days after receipt of notice, and then continue, a bona fide program to undertake and complete any required maintenance within the timetable set by us, your failure or refusal will be considered a default for which we may terminate the Franchise. In addition, we will have the right, but will not be obligated, to enter the premises of the Franchised Business and effect required repairs, painting, decorating and/or replacements of equipment, fixtures, furniture, signs or decor on behalf of you, and you will have the obligation to pay the entire cost to us on demand. Your obligation to initiate and continue any required maintenance will be suspended during any period in which the maintenance is impractical due to war, civil disturbance, natural disaster, labor dispute or other event beyond your reasonable control (excluding economic duress).

15.2 You may make no change to your facility or appearance without our prior written consent, and must maintain and renovate periodically, at your expense, the interior and exterior of the facility in the manner we reasonably require so as to maintain standards of design and appearance consistent with the image of the System. We will have the right to require remodeling changes to the facility at your expense no more often than once every two (2) years, but you will not be required to expend more than five percent (5%) of your prior year's Gross Sales to accomplish any particular required remodeling and will not be required to do any particular required remodeling if it would occur within one (1) year of the expiration date of any term of the Franchise. Costs associated with the repair, maintenance or upkeep of your facility, including repairs needed because of unusual wear and tear, do not apply toward the timing or cost limitations of remodeling.

15.3 You agree to purchase or lease, and to display at the Franchised Business, only signs, emblems, logos, lettering and pictorial materials that are in accordance with specifications required by us in our manuals or otherwise in writing, subject to changes for which we have given our prior written consent. We have the right to revise the specifications for signs, emblems, logos, lettering and pictorial materials, and you must promptly alter your signs, etc., at your location to conform to the revised specifications. The alterations will be at your expense if revisions are required no more often than once every three (3) years. Costs associated with the repair, maintenance or upkeep of your signs, etc. do not apply toward the timing or cost limitations of alterations.

15.4 You must maintain your facility and all adjacent areas in good, clean, attractive and safe condition at all times. You must, at your expense, undertake all maintenance and make all repairs, replacements, alterations and additions as required for that purpose, including periodic cleaning, repainting, repairs and replacement of obsolete fixtures, equipment, and furnishings as we reasonably require.

15.5 You, at your or your employees' and independent contractors' expense, will cause your employees and independent contractors to present themselves to customers, in terms of general appearance, dress, and accessories, in accordance with the standards and specifications in our manuals or otherwise communicated to you in writing.

16. ADVERTISING AND PROMOTION

16.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, you agree to contribute to a system-wide advertising and promotional fund ("Fund") during the term of the Franchise an amount equal to two percent (2%) of your Gross Sales on a weekly basis based on the Gross Sales from the immediately preceding week. We reserve the right to increase this fee to four percent (4%) of your Gross Sales upon thirty (30) days' notice to you.

16.2 The Fund will be maintained and administered as follows:

(a) You will contribute to the Fund weekly, based on your Gross Sales in the preceding week. This fee is payable weekly on the next Thursday of each week for the week prior by electronic transfer. We will initiate the draft from your bank account. Each week, we require you to send us the "Weekly Franchise Report" then-specified in our manuals. During any period of business disruption, you must continue to pay us this fee monthly based on your average monthly payments during the 6-month period immediately preceding the period of business disruption.

(b) We will direct all advertising and promotional programs, with the sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Fund will establish and maintain an online presence. You agree that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that we and our designees undertake no obligation in administering the Fund to make expenditures for you that are equivalent or proportionate to your contributions, or to ensure that you benefit directly or pro rata from the placement of advertising.

(c) You agree that the Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of conducting secret shopper programs; preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; and providing promotional brochures and other marketing materials to franchisees in the DD system). All sums contributed to the Fund will be maintained in a separate account from our general funds and will not be used to defray our general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Fund.

(d) If we spend less than the total of all contributions to the Fund during any fiscal year, we have the right to retain those contributions for use in subsequent years. If we spend more than the contributions accumulated in the Fund during any fiscal year, we will have the right to receive from the Fund, reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

(e) An unaudited summary report on the operation of the Fund will be prepared annually and will be made available to you on request ninety (90) to one hundred and twenty (120) days after fiscal year end.

(f) Although the Fund is intended to be of perpetual duration, we retain the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a prorated basis. If we have terminated the Fund, we may later reinstate the Fund at any time.

(g) We may establish an advertising council of franchisees. The council will advise us on advertising policies. Franchisees will elect the members of the council. The council will be advisory and have no operational or decision-making power. The council will operate under its own bylaws, but we will have the right to change or dissolve the council.

(h) We may establish a cooperative advertising program for the benefit of all DD businesses located within a particular region. We have the right to (a) allocate any portion of the Fund to a cooperative advertising program; and (b) collect and designate all or a portion of the expenditures for local advertising required in Section 16.3 for a cooperative advertising program. We will determine the geographic area for each cooperative advertising program. You must participate in any cooperative advertising program established in your region if we require your participation. If a cooperative advertising program is implemented in a particular region, we may establish a cooperative marketing committee for franchisees in that region to self-administer the program.

16.3 Local Advertising and Use of Advertising Materials.

(a) Commencing in month seven (7) after you open for business and continuing through month twelve (12) after you open for business, you must spend at least two thousand dollars ($2,000) per month on local advertising. Commencing in month thirteen (13) after you open for business and continuing through the remainder of the term, you must spend at least one thousand dollars ($1,000) per month on local advertising.You may not solicit business outside the Territory through the use of a toll-free number, direct mail, a website, electronic communications or other advertising methods without our prior written approval.

(b) We have the right to use, and to permit any DD franchisee to use, any photograph you post on any social media.

(c) You must submit to us, for our approval, all materials to be used for local advertising, unless they have been approved before or they consist only of materials we provided. All materials containing our proprietary marks must include the designation ™ (trademark), SM (service mark), ® (registered trademark), © (copyright), or any other designation we specify. If you do not receive written or oral disapproval of any materials submitted within 10 days from the date we receive the materials, the materials are approved. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising. You must include in any significant display advertisements, and in marketing materials for the Franchised Business, in conformance with standards and specifications in our manuals, a notice that the Franchised Business is individually owned and operated. Subject to any legal restrictions, you also must display or make available, in the reception area of the Franchised Business, marketing materials that we provide to you about the purchase of DD franchises, but you have no responsibility or authority to act for us in franchise sales.

16.4 You acknowledge and agree that we will own all rights to and interest in each telephone number, telephone directory listing, email address, domain name and comparable electronic identity used by you that is associated in any manner with the Franchised Business and/or with any Mark ("Listing"). You acknowledge and agree that all goodwill arising from or in connection with the use of each Listing will inure to our benefit. Promptly after the expiration, termination, repurchase or transfer of the Franchise, and at your own expense, you will notify all telephone companies and internet service providers or comparable internet authority with whom you have any Listing and direct them to transfer the Listing to us, or any person(s) we designate; and you will execute any and all documents necessary to complete these transfer(s). On the execution of this Agreement, you will sign a telephone and internet service transfer consent and authorization, in a form substantially similar to Attachment 2, granting us the authority to change, transfer or terminate your Listing(s), on your behalf. We will use this authorization for your Listing(s) only if you do not comply fully with this Section 16.4 after the expiration, termination, repurchase or transfer of the Franchise.

16.5 Grand Opening Advertising Advance Payment. To ensure that you budget for and set aside adequate, minimum amounts for advertising the Franchised Business before and for thirty (30) days after opening, you must remit to us the amount described in 9.17.

16.6 Initial Advertising Advance Payment. To ensure that you budget and set aside adequate, minimum amounts for advertising the Franchised Business, you must remit to us the amount described in Section 9.18.

17. INSURANCE

17.1 You must secure before opening the Franchised Business, and then must continuously maintain during the term of the Franchise, insurance at your expense, as follows:

(a) Workers' compensation insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of the Franchised Business.

(b) Comprehensive general liability insurance with limits of at least one million dollars ($1,000,000) per person per occurrence (and two million dollars ($2,000,000) aggregate for bodily injury) and at least twenty-five thousand dollars ($25,000) for property damage per occurrence.

(c) "All risk" insurance on the premises, equipment (except portable equipment) and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risks usually insured against by the owners or landlords of similar property. The insurance must be for at least ninety percent (90%) of the replacement cost of the property. Unless you obtain a written waiver from us, any DD business sustaining loss or damage must be repaired, restored or rebuilt within sixty (60) days after the date of the loss or damage.

(d) Business interruption insurance for a period of at least twelve (12) months.

(e) Such insurance and types of coverage as may be required by your landlord or by the terms of any lease for the premises of the Franchised Business or by the municipality, county, state or other local jurisdiction in which the Franchised Business is located.

(f) Comprehensive commercial automobile liability insurance for any vehicle operated by, or on behalf of, the Franchised Business, including owned, hired and non-owned vehicle coverage of at least five hundred thousand dollars ($500,000).

(g) Crime insurance for employee dishonesty in the amount of ten thousand dollars ($10,000) combined single limit.

(h) Cyber liability insurance with a limit of at least one hundred thousand dollars ($100,000) per occurrence.

(i) Employment practices liability insurance (EPLI) with a limit of at least one hundred thousand dollars ($100,000) per occurrence.

17.2 If circumstances require for the protection of you and us, we, in our sole discretion, may increase or modify the insurance limits noted above and may require additional types of insurance. If we determine that any required insurance is not generally available to you at a cost that we, in our sole and absolute judgment, deem to be reasonable, then we may modify the insurance requirements to provide for lower limits until the insurance becomes available at a reasonable cost.

17.3 Each insurance policy you maintain for the Franchised Business, except the workers' compensation and employment practices liability policies, must: name us, and our affiliates, successors, assigns, shareholders, partners, officers, directors, employees and agents as additional insureds; require the insurer to defend each person or entity if there is a claim; provide that any liability coverage afforded applies separately to each person or entity against whom a claim is brought as though a separate policy had been issued to that person or entity; contain no provision that limits or reduces coverage if there is a claim by 1 or more additional insured, or by reason of any insurance that we maintain; and provide coverage for your indemnification obligation under Section 24.2 of this Agreement. Coverage for additional insureds will apply on a primary basis irrespective of any other insurance, whether collectable or not. All insurance policies must be issued by insurance companies with performance ratings of at least A as rated in the then-most-recent edition of Best's Insurance Reports or comparable publication.

17.4 At least ten (10) days before you open the Franchised Business or begin any construction, you must furnish us with certificates of insurance issued by insurance companies showing compliance with the insurance requirements in Section 17.1 and paid receipts showing the certificate numbers. Each certificate of insurance must include a statement by the insurance company that the policy will not be canceled, subject to non-renewal or materially altered without at least thirty (30) days' written notice to us. Annually, when you provide us with your annual financial statements, you must furnish us with then-current certificates of insurance and paid receipts showing the certificate numbers. On our request, you must provide us with copies of your insurance policies and proof of payment for the policies.

17.5 You may not reduce any insurance limit, restrict any insurance coverage, or cancel, alter or amend any insurance policy without our prior written consent. If you fail to obtain or maintain any required insurance, you agree that we may, but are not obligated, to obtain the insurance and that you will reimburse us for the cost of the insurance, and for any reasonable expenses incurred in procuring the insurance, within thirty (30) days of the date of our invoice. You expressly waive any objection to our purchase of insurance under this Section.

18. LEGAL COMPLIANCE, TAXES, LICENSES, UTILITIES AND OTHER OBLIGATIONS

18.1 You must comply with all laws and regulations applicable to the operation of the Franchised Business, including federal laws such as the Fair Labor Standards Act, National Labor Relations Act and Americans with Disabilities Act, and laws and regulations governing matters such as occupational hazards, the preparation and dispensing of food products, menu labeling. zoning, construction, business licensing, fictional business names, health, sanitation, safety, minimum wages, overtime, working conditions, workers' compensation insurance, unemployment insurance, consumer protection, trade regulation, data protection and data breaches, environmental protection, and the withholding and payment of income, social security, sales, use, property and other taxes. You must notify us immediately of any suspected data breach at or in connection with the Franchised Business. Each payment to us required under this Agreement will be made free and clear and without deduction for any such taxes.

18.2 You must promptly satisfy any other indebtedness that you incur in operating the Franchised Business.

18.3 You must promptly notify us of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that may adversely affect the operation of the Franchised Business.

18.4 If there is any bona fide dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, you may not permit a tax sale or seizure by levy of signing or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

19. PROPRIETARY MARKS

19.1 The Marks are our exclusive property. You agree that your use of the Marks is a temporary authorized use under franchise and that we retain all ownership interests in the Marks. You acknowledge and agree that all goodwill arising from or in connection with the use of the Marks will inure to our benefit. You agree to use the Marks only in accordance with the terms of this Agreement and agree that the use of the Marks outside the scope of the terms of this Agreement without our prior written consent, is an infringement of our exclusive right, title and interest in and to the Marks. You agree that during the term of the Franchise, and after the expiration, termination, repurchase or transfer of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks, or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

19.2 You must provide products and services to the public under the service mark, trademark and trade name DAPPER DOUGHNUT®, but may not use any Mark, any derivation or modified version of any Mark, or any confusingly similar mark: as part of any corporate, partnership, firm or other business name, website address, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design. You may not use any Mark in connection with the offer or sale of unauthorized products or services or in any manner that we have not authorized in writing. You agree to execute, during or after the term of the Franchise, at our request, any consents necessary for the registration of our corporate name in the state where you conduct the Franchised Business.

19.3 You agree that when any Mark is affixed to any packaging or point of sale display, or is used in advertising or promotional materials, the Mark will be accompanied either by an appropriate notice immediately following the Mark ("™" or "®") or by an asterisk immediately following the Mark and the legend "DAPPER DOUGHNUT is a registered trademark of Dapper Doughnut Franchise, LLC [or other appropriate corporate name]" printed on or in the package, display, advertisement or material. A suitably abbreviated form of the legend, approved by us, may be used where space restrictions so require. If we receive a Certificate of Registration from the United States Patent and Trademark Office for any Mark that is not currently registered, the symbol "®" will be used for that Mark.

19.4 If it becomes advisable at any time, in our sole and absolute judgment, for the business to modify or discontinue use of any Mark and/or to use 1 or more additional or substitute service marks, trademarks, trade names or trade dresses, you agree to comply with our directions to modify or otherwise discontinue the use of the Mark, and/or to use 1 or more additional or substitute service marks, trademarks, trade names or trade dresses, within a reasonable time after receiving notice from us. You will be responsible for the costs of modifying or discontinuing the use of any trademark, service mark or trade name, or using 1 or more substitute trademarks, service marks or trade names. We will not be responsible for reimbursing you for any loss of goodwill in connection with the modification or discontinuation of any trademark, service mark or trade name.

19.5 During the term of the Franchise, in conjunction with the use of any Mark, you must identify yourself as the operator of the Franchised Business on letterhead sheets, invoices, order forms, receipts, contracts and similar documents, and, where we require, on signs. The form and content of the identification must comply with specifications in our manuals.

19.6 During the term of the Franchise, you must file and maintain requisite trade name or fictitious name registrations, and must execute any documents deemed necessary by us or our counsel to obtain protection for the Marks or maintain their continued validity and enforceability.

19.7 You must promptly notify us of any use of any Mark or any name or mark confusingly similar to any Mark by any person or entity other than us or another of our franchisees.

19.8 You agree to promptly notify us of any litigation brought or threatened by any person or entity against you, involving any Mark. If we, in our sole and absolute judgment, undertake the defense or settlement of that litigation or claim, we will do so at our own expense, but you agree to execute any documents, and to render any assistance (excluding financial assistance) as may, in the sole discretion of our counsel, be reasonably necessary to carry out the defense or settlement. If the defense does not involve issues concerning the operation of your business, we will reimburse you for all reasonable out-of-pocket costs incurred in connection with assisting in the defense or settlement.

19.9 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorney's fees, and any other appropriate relief.

20. TRADE SECRETS AND CONFIDENTIAL INFORMATION

20.1 You acknowledge that the System involves trade secrets we own and that, during your relationship with us, you will acquire knowledge of confidential information, including:

(a) site selection criteria;

(b) training, operational knowledge, manuals and materials, including the Confidential Operations Manual and product recipes;

(c) System standards and specifications, including know-how, methods, formats, policies, procedures, techniques, knowledge and experience, used in developing, promoting and operating the Franchised Business;

(d) market research, and promotional, marketing and advertising programs;

(e) knowledge of suppliers and specifications for products and supplies used in the operation of the Franchised Business;

(f) software or similar technology which is proprietary to us, our affiliates or the System; and

(g) customer data and customer lists.

20.2 You agree that, without our prior written consent, you will never either during or after the term of the Franchise, use or allow the use of any trade secret or confidential information except in connection with the operation of the Franchised Business by persons actively involved in the operation of the business. You further agree that you will not disclose the contents of any manuals, plans, records or other documents relating to the Franchised Business to any third party, except a party who is actively involved in the operation of the business and who has a valid need for disclosure. Any employee or independent contractor to whom a trade secret or confidential information is disclosed will be informed that the trade secret or confidential information is confidential and proprietary to us, and that it may not be used except under a franchise agreement with us. You must have each Manager, each management employee or independent contractor and each person attending initial training enter into a Manager/Supervisor Confidentiality and Non-Competition Agreement substantially similar to our approved form.

20.3 You agree to promptly reveal to us discoveries, inventions, innovations or improvements made by you, or by any of your Managers, employees or independent contractors, relating to materials, devices, methods or processes in any way connected with the System, and further agree that all proprietary interests in the information, materials, devices, methods, techniques, know-how and processes utilizing those discoveries, inventions, innovations and improvements will be our property.

20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorney's fees, and any other appropriate relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, on due hearing, and expressly waive all claims for damages caused by the wrongful issuance of any injunction.

21. NON-COMPETITION

21.1 Unless otherwise stated in this Agreement, the word "you" in this Section 21 includes, collectively and individually, each shareholder, member, partner, officer and director, and each direct or indirect holder (and each shareholder, member, partner, officer or director of each holder) of any beneficial interest in you, if you are a legal entity.

21.2 You agree that during the term of the Franchise, you will not, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person or entity, divert or attempt to divert any business or customer of the Franchised Business to any other business by direct or indirect inducement or otherwise, but this Article 21 will not prevent you from referring customers in good faith to other businesses, including competing businesses, that may be able to provide those customers with products or services not available from the Franchised Business.

21.3 You agree that during the term of the Franchise, and for an uninterrupted period of 1 year after expiration, termination, repurchase or transfer of the Franchise, regardless of the cause of expiration, termination, repurchase or transfer, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person or entity, employ, engage as an independent contractor, or seek to employ or engage as an independent contractor, any person who, within the prior 6 months, has been an employee or independent contractor of us or any of our franchisees, or induce or seek to induce any person who is an employee or independent contractor of us or any of our franchisees, to leave his or her employment or engagement. If you fail to comply with this Section 21.3, you agree to pay us an amount equal to 200% of the annual salary of such person.

21.4 You acknowledge: that certain methods of doing business and other elements comprising the System are unique and distinctive, and have been developed by us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the System; and that you recognize your continuing obligation to promote the Franchised Business. You accordingly agree as follows:

(a) During the term of the Franchise, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business located in the United States which operates one or more Competitive Businesses, or which franchises or licenses others to operate Competitive Businesses. A "Competitive Business" is any business which offers, or which franchises or licenses others to offer, products or services that are the same as or substantially similar to products or services that are or could be offered by you under this Agreement.

(b) You agree that, for an uninterrupted period of two (2) years after the expiration or termination of the Franchise, regardless of the cause of expiration or termination, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business which operates one or more Competitive Businesses, or which franchises or licenses others to operate Competitive Businesses, and which operates: (1) within the Territory, (2) within the territory of any other DD business operating or in planning at the time of expiration or termination, (3) within a twenty-five (25)-mile radius of any

DD location operating or in planning at time of expiration or termination, or (4) within the area of any DD location area developer operating at the time of expiration or termination. If you violate any covenant in this Section 21.4(b) during the two (2)-year period immediately after the effective date of the expiration or termination of the Franchise, you agree to comply with such covenant during a subsequent two (2)-year period, and you further agree that a judge may order compliance with such covenant during any subsequent 2-year period.

21.5 You agree that your violation of any term of this Article 21 will cause irreparable injury to us for which no adequate remedy at law is available. You accordingly consent to the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Article 21.

21.6 Each provision and subpart of a provision of this Article 21 is independent of each other provision and subpart of a provision of this Agreement. If a provision or subpart of a provision of this Article 21 is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by any lesser provision or subpart that imposes the maximum duty permitted by law, as if the resulting lesser provision or subpart were separately stated in this Article 21, and also agree to be bound by each other subpart of a provision of this Agreement.

21.7 You agree that we may, in our sole discretion, reduce the scope of any provision or subpart of any provision in this Article 21 without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any provision or subpart so modified, which will be fully enforceable notwithstanding any other provision or subpart of this Agreement.

21.8 You agree that any claim you may have against us, whether or not related to the Franchised Business, will not be a defense to the enforcement by us of any provision of this Article 21. You further agree that we will be entitled to set off any amounts we owe to you against any loss or damage to us arising from your breach of this Agreement, including this Article 21.

21.9 This Article 21 will not apply to any ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

22. INSPECTION BY US

22.1 Our field representative or designee may make an announced or unannounced inspection of the Franchised Business at any reasonable time to ensure compliance with all terms of this Agreement, which inspection may include photographs of the premises and interviews of your Manager, employees and independent contractors to ascertain their knowledge of and compliance with the System, as well as interviews with your customers to determine their level of satisfaction. Your acknowledge that any feedback, coaching or recommendations given by our field representative or designee to any personnel of the Franchised Business during any such inspection will be informational and non-mandatory, but that you may be required to communicate with, give instructions to, train or retrain those personnel during or after the inspection in order to bring the operation of the Franchised Business into compliance with the System. You agree that the field representative or designee will be allowed to take a reasonable number of samples of food or non-food items from the Franchised Business, without payment, for testing by us or an independent laboratory to determine whether such samples meet our then-current standards and specifications. You agree that we may require you to bear the cost of such testing if the samples taken from the Franchised Business fail to meet our then-current standards and specifications. You further agree that the field representative or designee will be allowed to take a physical inventory of the assets of the Franchised Business, and to inspect any records of the Franchised Business, including your books and financial accounts, at any time during normal business hours. Any inspection will be made at the expense of us or our designee, but if we or our designee must make 2 inspections concerning your repeated or continuing failure to comply with this Agreement, we will have the right to charge you for the costs of making all further inspections concerning your failure to comply, including our field representative's or designee's reasonable travel, lodging and meal expenses, and his or her wages and benefits, during any further inspection. At the conclusion of his or her inspection, the field representative or designee will prepare a written report. You (or if you are not an individual, your principal operating officer, partner or member), if present, or your Manager, will be given a copy of the report and will sign a second copy to be sent to us, on which he or she may agree with or contest the field representative's or designee's conclusions and observations.

22.2 During any inspection, you agree to cooperate fully and to give any assistance reasonably requested. Promptly after receiving notice of any deficiencies detected in an inspection, you agree to take steps necessary to correct the deficiencies, including if necessary the temporary closing of the Franchised Business. Without limiting our other rights and remedies, we will have the right but not the obligation, if you fail or refuse to act promptly, to make or cause to be made any required corrections and to charge the costs of correction to you.

23. FRANCHISEE AS INDEPENDENT CONTRACTOR

23.1 Relationship of Parties. Under this Agreement, you are an independent contractor with entire control and direction of the Franchised Business, subject only to the terms of this Agreement and its attachments. This Agreement is not intended to, and does not create a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee or servant of any other party for any purpose. In that regard:

(a) We have no right or duty to operate the Franchised Business, and disclaim any liability under this Agreement for any damages arising out of the operation of the Franchised Business.

(b) You are solely responsible for recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining and firing your personnel, and your personnel are not our employees, independent contractors or agents. We have no right or duty to supervise, or to exercise control over, your personnel in the operation of the Franchised Business, and disclaim any rights or responsibilities as to your personnel. To the extent that we provide you with guidelines, recommendations, materials and other resources related to functions such as recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing personnel, you may use those resources, or may choose to use alternate resources. You are solely responsible for consulting with your own third party human resources ("HR") service provider and/or legal counsel concerning compliance with personnel laws and regulations that are applicable within the Territory, and for complying with those laws and regulations.

(c) Except as provided in this Agreement, you are solely responsible for training your personnel. To the extent that we provide you with materials and other resources related to training your management and non-management personnel on food handling, food preparation, health and sanitation matters, in the interest of protecting and maintaining the goodwill of the System and the Marks, and not in order to give us control the day-to-day operation of the Franchised Business, you must use those resources as we direct. To the extent that we provide you with guidelines, recommendations, materials and other resources related to training your management and non-management personnel on other matters, you may use those resources, or may choose to use alternate resources, so long as your personnel are trained to operate the Franchised Business in a System-compliant, legal and safe manner.

(d) You are solely responsible for establishing and enforcing your own policies related to personnel practices and labor relations. To the extent that we provide you with guidelines, recommendations and materials related to personnel practices and labor relations, you may use those resources, or may choose to use alternate resources. You are solely responsible for consulting with your own third party HR service provider and/or legal counsel concerning compliance with personnel and labor relations laws and regulations that are applicable within the Territory, and for complying with those laws and regulations.

23.2 <u>Notices to Public, Etc.</u>. During the term of the Franchise, you agree to hold yourself out, to the public, public officials, your suppliers, your independent contractors and others, as an independent contractor operating the Franchised Business pursuant to rights granted by us, but not jointly with us. You agree to take any reasonable action that we consider necessary to that end, including exhibiting notices of the parties' relationship in a conspicuous manner at the Franchised Business, and on websites, letterhead, forms, business cards, electronic communications, advertisements, and other materials we designate. We reserve the right to specify and change the content and form of these notices.

23.3 <u>Statements to and Acknowledgements by Employees</u>. During the term of the Franchise, you shall hold yourself out to your prospective employees, and to your employees, as an independent contractor operating the Franchised Business pursuant to rights granted by us, but not jointly with us. You shall take any reasonable action that we consider necessary to that end, including (i) stating conspicuously on each employment application that the prospective employee is applying to be your employee and not an employee of ours, (ii) stating your entire business name, rather than just using our brand name and/or logo, on your payroll checks and/or payroll-related communications to employees, and (iii) requiring employees to sign acknowledgements that they are not employees of ours, even though they are selling products and services identified by our brand name and/or logo, are receiving payroll checks and other communications that contain our brand name and/or logo, may have applied for jobs through our website(s), or may communicate with or receive non-mandatory feedback, coaching or recommendations from our representatives in emails or other electronic or written communications, or during telephone calls, meetings or inspections. We reserve the right to specify and change the content and form of these statements and acknowledgements.

23.4 Contracts, Etc. Under this Agreement, no party is responsible for any obligations, debts or expenses of any other party. Nothing in this Agreement authorizes you: to make any contract, agreement, warranty or representation on our behalf; to incur any obligation, debt or expense in our name; or to make any representation to any third party tending to indicate a business relationship with us beyond that created under this Agreement. We disclaim any liability, and will not be liable under this Agreement, for any claim or judgment arising as a result of any such action.

24. INDEMNIFICATION

24.1 We must indemnify you, your affiliates, successors and assigns, and your and their respective partners, managers, shareholders, officers, directors, employees and agents, for any expenses arising out of any claim for copyright or trademark infringement or unfair competition directly or indirectly related to your authorized use of our materials or the Marks under this Agreement and our manuals, if you notify us in writing within 30 days, or within any shorter period necessary to avoid prejudice, after learning of the claim, and also if we are given the opportunity, if we so choose, in our sole discretion, to control the settlement or defense of the claim. You may not settle any claim to which this Section 24.1 applies without our prior written consent.

24.2 You must indemnify us, our affiliates, successors and assigns, and our and their respective partners, managers, shareholders, officers, directors, employees and agents, for any expenses arising out of any claim directly or indirectly related to your operation of the Franchised Business or performance or lack of performance under this Agreement, if the claim does not arise from our negligent or wrongful conduct. You acknowledge (i) that we do not have any reserved or general right to exercise control over, and do not exercise any indirect or direct control over, the day-to-day operation of the Franchised Business (including operations-related functions such as safety and security, the use of equipment and motor vehicles, and the delivery of products and services to customers, and personnel-related functions such as recruiting, interviewing, hiring, determining terms of employment, compensating, timekeeping, payroll processing, providing work resources, scheduling, supervising, disciplining and firing), (ii) that all liability arising out of the operation of the Franchised Business is therefore your responsibility, and (iii) that your indemnification obligation under this Section 24.2 covers any “joint employer,” “agency,” “ostensible agency” or similar claims by third parties based on the establishment or operation of the Franchised Business. You must promptly notify us of any claim by or against you directly or indirectly related to your operation of the Franchised Business and, on request, must furnish us with copies of any filings in any proceeding involving the claim.

24.3 As used in this Article 24, the word “expenses” includes all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys’ fees, accountants’ fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to reputation or goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

24.4 The indemnification obligations of us and you will survive the expiration or termination of the Franchise for as long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, we and you each waive the effect of any statute of limitation which would, by lapse of time, limit our indemnification obligations.

25. TRANSFERS OF INTEREST

25.1 Transfer by Us. We may sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber ("transfer") all or any part of our rights, interests or obligations in this Agreement to any person or entity in our sole discretion. Specifically, and without limitation, we (or any affiliate, as applicable) may sell our assets, the Marks or any other elements of the System to any person or entity; may offer securities privately or publicly; may merge with, spin off or acquire other entities, or be acquired by another person or entity, including a competing or non-competitive franchise system or business, regardless of the locations of the franchise system or business; or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any or all of the above sales, assignments or dispositions, you expressly and specifically waive any claims, demands or damages against us and our affiliates arising from or related to the transfer of the Marks (or any variation thereof) or the System to any other person or entity. If we transfer or assign this Agreement, we will be released from all further liability under this Agreement. Nothing contained in this Agreement will require us to offer to you any products or services, whether or not bearing the Marks, if we transfer or assign this Agreement.

25.2 Transfer by Franchisee.

(a) Your rights and obligations under this Agreement are personal to you, and we have granted the Franchise in reliance on your and/or your principals' business skill, financial capacity, personal character, and reputation for honesty, integrity and fair dealing. Accordingly, you and your successors, assigns, shareholders, partners and members, may not transfer any interest in you, in this Agreement or any related agreement, in the Franchise or the Franchised Business, without our prior written consent. Any purported transfer not having our prior written consent will be void.

(b) We will not unreasonably withhold our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring either a controlling interest in or operating control of you, this Agreement, any related agreement, the Franchise or the Franchised Business, we may, in our sole discretion, require as conditions to our consent that:

(i) You must be in substantial compliance with the terms of this Agreement;

(ii) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has demonstrated to our satisfaction that it meets the then-current standards which we would normally apply to any prospective franchisee. The transferee, for example, has demonstrated that it meets our educational, personal, managerial and business standards; possesses a good moral character and a good business reputation; has the aptitude and ability to conduct the Franchised Business (as may be shown by prior related experience); has adequate financial resources and capital to operate the Franchised Business; is financially responsible and has a good credit rating; will be likely in our sole and absolute judgment to comply with the terms of this Agreement, our then-current standard franchise agreement and our then-current manuals; and has no direct or indirect connection with any actual or potential competitor of us or any of our franchisees;

(iii) Your debts to us and others relating to the Franchised Business have been satisfied;

(iv) You and the transferor have signed a general release, in a form satisfactory to us, of any claims against us and our affiliates, and our and their respective partners, managers, shareholders, officers, directors, employees and agents, in their corporate and individual capacities;

(v) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has entered into a written transfer agreement, in a form satisfactory to us, assuming and agreeing to discharge your and/or the transferor's obligations under this Agreement and any attachments;

(vi) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) executes our then-current standard franchise agreement (excluding any requirement to pay an initial franchise fee) and attachments (including any guaranty agreements). The then-current franchise agreement will have the same term expiration date of this Agreement, but may contain terms substantially different from those in this Agreement, including different fees, advertising contributions, training requirements and territory. Depending on the then-current demographics of the Territory, if the Territory is larger than our then-current standard territory size, we may require the transferee to accept a Transfer Territory smaller than the Territory.

(vii) The transferee and its Manager, if any, have agreed to successfully complete (at the transferee's expense and to our satisfaction) any then-current initial training programs;

(viii) You or the transferor has paid, in lieu of paying the initial franchise fee specified in Section 9.1, a transfer fee of 10% of our then-current initial franchise fee for a comparable 1st franchise, plus full reimbursement for any reasonable travel, lodging and meal expenses incurred by us in connection with the transfer;

(ix) We have decided not to exercise our right of first refusal, if any, under Section 25.5;

(x) You have updated your equipment and premises to our then-current specifications in our manuals;

(xi) We have consented to the material terms of the transfer, including the price and terms of payment, which will not be so burdensome as to adversely affect the operation of the Franchised Business by the transferee; and

(xii) If any part of the sale price of any transferred interest is to be financed, the transferor will have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by the transferor in the assets of the Franchised Business will be subordinate to the obligations of the transferee to pay royalty fees, advertising contributions and other amounts due to us and our affiliates, or otherwise to comply with this Agreement or the franchise agreement signed by the transferee.

(c) Except as stated below, the transfer fee stated in Section 25.2(b)(viii) is non-refundable and fully earned by us when paid. If, the transferee is unable to successfully complete initial training, we, in our sole discretion, may cancel this Agreement or the transferee's then-current franchise agreement. If we so cancel this Agreement or the transferee's then-current franchise agreement, we will refund the transfer fee, less out-of- pocket expenses incurred, if the transferee agrees to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3, 21.4(b), 21.5-21.8, 27.1-27.2, and 32.

(d) No transfer in the nature of a grant of a security interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business will be permitted without our prior written consent. If we consent to a transfer in the nature of a grant of a security interest, and if the holder of the security interest later seeks to exercise your right or assume the interest of you in the Franchise, this Agreement, any related agreement, you or the Franchised Business due to a default under any documents related to the security interest, we will have the option to purchase the rights of the secured party by paying all sums then due to the secured party, and the secured party will sign an agreement to that effect before any transfer takes place.

25.3 Transfer to Franchisee's Legal Entity. If a proposed transfer is to a single legal entity you control which is formed solely for the convenience of ownership, our consent to the transfer may, in our sole discretion, be conditioned on the following requirements:

(a) The legal entity's activities will be confined exclusively to operating the Franchised Business;

(b) You will own a majority stock interest, partnership or membership interest in the legal entity, and will act as its principal operating officer, partner or member;

(c) Each stock certificate or certificate of interest in the legal entity will have conspicuously endorsed on its face a statement in a form satisfactory to us that it is held subject to, and that further transfer is subject to, all restrictions on transfers in this Agreement;

(d) All shareholders, partners, or members will jointly and severally guarantee the legal entity's performance and will bind themselves to the terms of this Agreement and any attachments;

(e) You will maintain a then-current list of all partners, members or shareholders and beneficial owners of any class of stock, and furnish the list to us on request; and

(f) Copies of the transferee's Certificate and Articles of Incorporation, Certificate and Articles of Organization, Certificate and Agreement of Partnership, By-Laws, resolution authorizing entry into this Agreement and any other significant governing documents, promptly will be furnished to us.

25.4 Transfer and Issuance of Securities. If you are a legal entity, you will maintain stop transfer instructions against the transfer of any stock certificate, certificate of interest, or evidence of ownership contrary to the terms of this Article 25, and will issue no certificate on the face of which the following statement does not legibly and conspicuously appear:

> The transfer of this [insert type of ownership interest] is subject to the terms of a Franchise Agreement dated [insert date] between Dapper Doughnut Franchise, LLC and [insert name of legal entity].

25.5 Our Right of First Refusal.

(a) If you or any other person or entity at any time determines to sell an interest in you, the Franchise or the Franchised Business, a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to us by you or the other person or entity involved. The offer must apply only to an interest in you, the Franchise or the Franchised Business. It must not include the purchase of any of your other property or rights (or those of your shareholder, partner, or member), but if the offeror proposes to buy any other of your property or rights (or those of shareholder, partner or member) under a separate, contemporaneous offer, the price and terms of purchase offered to you (or to your shareholder, partner or member) for the interest in you, the Franchise or the Franchised Business will reflect the bona fide price offered and will not reflect any value for any other property or rights. We will have the right, exercisable by written notice delivered to you, or the person or entity involved, within 30 days after receipt of the copy of the offer, to purchase the interest for the price and on the terms in the offer, but we may substitute cash, a cash equivalent or marketable securities of equal value for any form of payment proposed in the offer. Our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than sixty (60) days to prepare for closing. If the parties cannot agree on a cash equivalent within a reasonable time, they will either jointly select 1 appraiser, or 3 appraisers will be selected (1 by us, 1 by you, and 1 jointly by the first 2 appraisers), and his, her or their determination will be binding. The parties will share equally the fees and expenses of any appraiser jointly selected, but each must pay any separately selected appraiser individually. We will be entitled to purchase the interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of any corporation whose stock is purchased. If we do not exercise our right of first refusal, you or the person or entity involved may complete the sale to the purchaser under the terms of the offer subject to our consent to the transfer under Section 25.2(b), but if the sale to the purchaser is not completed within one hundred and twenty (120) days after receipt of the offer by us, or if there is a material change in the terms of the sale, we will have an additional right of first refusal for 30 days on the same terms as were applicable to the initial right of first refusal.

(b) If a proposed transferee is the spouse, child or parent of the proposed transferor, or is a person or entity already holding an equity interest in you or the Franchised Business, as of the date of this Agreement, that has been disclosed to us, we will not have any right of first refusal as provided in Section 25.5(a), unless the proposed transferee has a direct or indirect connection with any actual or potential competitor of us or any of our franchisees. However, written notification of this type of transfer must be provided to us by the transferor at least thirty (30) days before consummation of that transfer.

25.6 Transfer On Death, Permanent Incapacity or Dissolution. On the death or permanent incapacity of any person with an interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, or on your dissolution if you are a legal entity, the executor, administrator, personal representative or trustee ("personal representative") of that person or entity will transfer his, her or its interest to a third party acceptable to us within one hundred and eighty (180) days after assuming that capacity. Any transfer of this type, including a transfer by devise or inheritance, will be subject to the same requirements as other transfers under this Agreement, but if the transfer is to a spouse, child or parent, the fee required under Section 25.2(b)(viii) will not be required. If the personal representative is unable to meet these conditions, the personal representative of that deceased person will have an additional 60 days to dispose of the interest, which disposition will be subject to the requirements for transfers in this Agreement, including the requirements of this Section 25. If the interest is not disposed of within 60 days, we may terminate this Agreement, or may exercise an option to purchase or have transferred from you the assets of the Franchised Business in accordance with the procedures specified in Section 27.3, by giving you written notice of the exercise of the option at any time during those additional sixty (60) days.

25.7 Interim Operation of Business on Death or Permanent Disability. Pending transfer on your death or permanent incapacity (or your principal operating officer, partner or member, if you are a legal entity), we will have the option to appoint a general manager to operate the Franchised Business for your account until an approved transferee is able to assume the operation of the Franchised Business, for up to twelve (12) months without your consent, your personal representative, or your successor in interest. All funds from the operation of the Franchised Business during the period of operation by our appointed general manager will be kept in a separate fund, and all expenses incurred, including our appointed general manager's wages and benefits, and his or her reasonable traveling, lodging and meal expenses (the "Management Expenses"), will be charged to the fund. As compensation for services provided, we will charge the fund the full amount of the Management Expenses incurred during the period of our operation. We will only have a duty to use reasonable efforts in operating the Franchised Business, and will not be liable to you or your principals for any debts, losses or obligations incurred by the Franchised Business, or to any creditor for any equipment, inventory, products, services or supplies purchased for the Franchised Business during any period in which it is operated by our appointed general manager.

25.8 Non-Waiver of Claims. Our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business will not be a waiver of any claims we may have against the transferring party, nor will it be a waiver of our right to demand the transferee's compliance with the terms of this Agreement.

26. DEFAULT AND TERMINATION

26.1 Automatic Termination. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be deemed to be in default under this Agreement, and the Franchise will automatically terminate without notice to you, if you make a general assignment for the benefit of creditors, suffer the filing of an involuntary bankruptcy petition which is not dismissed within sixty (60) days after filing, file a voluntary bankruptcy petition, are adjudicated a bankrupt, or suffer temporary or permanent court-appointed receivership of substantially all of your property; if suit to foreclose any lien or mortgage against the premises or equipment of your business is instituted and not dismissed within thirty (30) days; or if the premises or equipment of your business is sold after levy thereon by any sheriff, marshal or constable.

26.2 Termination On Notice. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be in default and we may, in our sole discretion, terminate the Franchise, without giving you any opportunity to cure the default, effective immediately on giving written notice of termination to you, if:

(a) You are insolvent (are unable to pay your debts as they come due or have debts that are greater than your assets) and not otherwise subject to automatic termination under Section 26.1;

(b) You, without our prior written consent, cease to operate the Franchised Business;

(c) You (or your principal officer, shareholder, partner or member, if you are a legal entity) are convicted of a felony, a crime involving consumer fraud, or any other crime that is reasonably likely, in our sole and absolute judgment, to have an adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or our interest in the System or the Marks;

(d) You (or your principal officer, shareholder, partner or member, if you are a legal entity) participate in an activity, such as an unfair trade practice or another improper business or personal activity, that is having, or that has had within the past sixty (60) days, in our sole and absolute judgment, a significant adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or our interest in the System or the Marks;

(e) The operation of the Franchised Business is creating a threat or danger to public health or safety;

(f) You have repeatedly failed to make timely payments of any fees or other amounts owed to us, or have repeatedly committed defaults of this Agreement, within twelve (12) months of any prior default for which we have given you written notice;

(g) You knowingly make a material false or incomplete statement in any report submitted to us;

(h) We discover that you knowingly made a material false or incomplete statement to us to obtain the Franchise;

(i) You or any other person or entity purportedly transfer any interest contrary to Section 25;

(j) You participate in in-term competition contrary to Sections 21.2, 21.3, and 21.4;

(k) You improperly disclose the contents of our manuals or any other information learned or received under this Agreement and designated as “Confidential,” contrary to Articles 12 or 20;

(l) An approved transfer is not effected following death, permanent incapacity or dissolution as required by Section 25.6;

(m) You suffer any federal, state or local tax lien, levy or suit to enforce the same brought against you or your property;

(n) You fail to identify, lease or purchase a site within the period stated in Section 5.1 of this Agreement, or you fail to submit a proposed lease for approval before execution as stated in Section 5.2 of this Agreement, or you fail to open for business within the period stated in Section 5.5 of this Agreement;

(o) You underpay or under-report any amount due us by five percent (5%) or more for any three (3)-month period;

(p) Any other franchise for a restaurant granted to you (or any affiliate of yours) by us is terminated for any reason; or

(q) You (or any officer, shareholder, partner or member, if you are a legal entity), violate any U.S. anti-terrorism, anti-corruption, anti-money-laundering, anti-boycott, immigration, or related law, ordinance, regulation or Executive Order.

26.3 Termination After Notice and Opportunity to Cure. You will have thirty (30) days, or any lesser period specified below, or any greater period permitted by us or required by law, to cure any default for which we have given written notice of termination to you under this Section 26.3, and to provide us with evidence of the cure. If a default is not cured within that period, the Franchise will terminate without the need for further notice to you, effective immediately on the expiration of the cure period. We may give written notice of termination under this Section 26.3 for any failure by you to comply with any term of this Agreement or any requirement in our manuals. Defaults may include, for example, if:

(a) You fail to initiate and/or successfully complete initial training;

(b) You fail, refuse or neglect to pay us or any affiliated company any sum owing when due under this Agreement or any other agreement, or to submit to us any required information when due under this Agreement, and do not cure such default within ten (10) days after notice from us (or such other cure period specified in another agreement, unless no cure period is specified, in which case, the ten (10)-day cure period will apply);

(c) You fail to maintain any standard or specification required to be maintained or followed by this Agreement or our manuals;

(d) You offer any unauthorized or unapproved product or service;

(e) You fail, refuse or neglect to obtain our prior written acceptance, approval or consent as required by this Agreement;

(f) You misuse or make any unauthorized use of the System or the Marks, or otherwise materially impair the goodwill associated with or our rights in the System or the Marks;

(g) You or your Manager fail to comply with the requirement of personal attention in Sections 4.1 & 4.2;

(h) You fail to maintain books and records as stated in our manuals, and in a manner that permits an accurate determination of Gross Sales;

(i) You fail, refuse or neglect to pay any third party, including any major supplier, or government taxing or licensing authority, any amount owing when due, or to satisfy any other material obligation relating to the Franchised Business;

(j) You fail to provide proof of insurance and do not cure such default within 10 days after notice from us; or

(k) You default under any other Agreement between you and us, and fail to cure said default in the appropriate amount of time pursuant to that Agreement.

We disclaim any right under this Agreement to terminate the Franchise based on any decision or action by you regarding recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing your personnel.

26.4 Management Option. We have the right (but not the obligation), in our sole discretion, under the circumstances described below, to enter the premises and assume management of the Franchised Business (or to appoint a designated representative to assume its management) for any period of time we deem appropriate. If we or our designated representative assume management of the Franchised Business under Sections 26.4 (a) or (b), you agree to pay us, in addition to all other amounts due under this Agreement, an amount equal to ten percent (10%) of Gross Sales, plus our (or our designated representative's) direct out-of-pocket costs and expenses. If we or our designated representative assume management of the Franchised Business, you acknowledge that we or our designated representative will have a duty to use only reasonable efforts, and will not be liable to you for any debts, losses or obligations that the Franchised Business incurs to any of your vendors or creditors for any products, services or supplies purchased for the operation of the Franchised Business, while we or our designated representative manage it. We or our designated representative may assume the management of the Franchised Business under the following circumstances:

(a) if you abandon or fail to actively operate the Franchised Business;

(b) if you fail to comply with any provision of this Agreement, or any mandatory standard or specification in our manuals, and do not cure the default within the time specified in this Agreement; or

(c) if the Franchise expires or is terminated and we are in the process of deciding whether to exercise our option to purchase the assets of the Franchised Business under Section 27. 3.

We will keep in a separate account all monies generated by the operation of the Franchised Business, less the expenses of the Franchised Business, including all amounts described in this Section 26.4 and other amounts owed under this Agreement. Nothing contained herein will prevent us from exercising any other right which we may have under this Agreement, including, our right to terminate this Agreement under Sections 26.1, 26.2, or 26.3.

27. OBLIGATIONS ON REPURCHASE, EXPIRATION OR TERMINATION

27.1 On repurchase, expiration or termination of the Franchise, in addition to fulfilling your other continuing obligations under this Agreement:

(a) You promptly will surrender to us or our designee, or, if directed by us, destroy and immediately discontinue the use of, any materials or designations indicating or intending to indicate in any way that you are our franchisee;

(b) You immediately and permanently will discontinue use of the System and any information received under this Agreement and designated as "Confidential";

(c) You promptly will deliver to us or our designee: the Confidential Operations Manual; all other manuals, bulletins, instruction sheets, forms, devices, proprietary software and other materials that you received from us; all customer data (including customer lists) related to the Franchised Business; and all copies of the same;

(d) You promptly will pay all charges due for telephone services, and DD telephone directory listings and will assign to us or our designee, or will cancel, those telephone listings as we direct and as provided in Section 16.4 of this Agreement, and will discontinue any radio, newspaper or other advertising which may in any way identify you with our products or services;

(e) You promptly will pay all internet service providers all charges due for online computer network services, and cause any appropriate internet service provider or comparable authority to cancel or assign to us or our designee, as we direct, any email address, domain name or other comparable electronic identity used in connection with the Franchised Business.

(f) You promptly will take any action necessary to cancel any assumed name or equivalent registration that contains the mark DAPPER DOUGHNUT® or any other Mark, and submit to us proof of compliance with this obligation within 30 days after repurchase, termination or expiration;

27.2 On expiration or termination of the Franchise, you and we will make a prompt and final accounting. Any sums owed under this Agreement, any sums related to the Franchised Business owed to third parties, and any other sums related to the Franchised Business owed for judgments or otherwise, promptly will be paid by the owing party.

27.3 On expiration of the Franchise, or on termination of the Franchise under Sections 26.1, 26.2 or 26.3, we will have the option, exercisable by giving you written notice within sixty (60) days after the date of expiration or termination, to purchase or have transferred to us the assets of the Franchised Business. Those assets will include the leasehold improvements, equipment, furniture, fixtures, signs and inventory of the Franchised Business, and the lease for the site of the Franchise Business. We will have the unrestricted right to assign this option. If we exercise this option, the purchase and transfer will be completed on the following terms:

(a) We or our assignee will be entitled to all customary deeds, releases of lien, bills of sale, assignments, and such other documents and instruments that we deem necessary in order to perfect our title and possession in and to the property being purchased or assigned, as well as all warranties and representations concerning the assets, including representations and warranties as to ownership, condition and title to the assets, liens and encumbrances on the assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise. If, at the time of closing, we have not received all of these documents and instruments, we may, in our sole discretion, place the purchase price in escrow pending the receipt of any required documents or instruments;

(b) The purchase price for the assets of the Franchised Business will be their fair market value, determined in a manner consistent with reasonable depreciation of the owned leasehold improvements, equipment, furniture, fixtures, signs and inventory of the Franchised Business. The purchase price will not contain any factor or increment for any trademark, service mark or other commercial symbol used in the operation of the Franchised Business, or for the goodwill or "going concern" value of the Franchised Business. We will be permitted to exclude from the assets purchased and valued any equipment, furniture, fixtures, signs and inventory that do not meet the quality standards for DD businesses. Also, the lease for the site of the Franchised Business will not be considered in determining the fair market value of the assets. If you and we are unable to agree on the fair market value of the assets, the fair market value will be determined by an independent appraiser jointly selected by you and us, and if we are unable to agree on an appraiser, you and we will each select 1 appraiser, who will jointly select a third appraiser, and the fair market value will be deemed to be the average of the 3 independent appraisals, so long as the highest appraisal is no more than thirty percent (30%) greater than the middle appraisal. If the highest appraisal is more than thirty percent (30%) greater than the middle appraisal, the fair market value will be deemed to be the average of the lowest appraisal and the middle appraisal. You and we will share equally the fees and expenses of any appraiser jointly selected, but will pay for any separately selected appraiser individually.

(c) The closing of the purchase and transfer will take place no later than 90 days after your receipt of our notice of the exercise of this option. We or our assignee will have the option of paying the purchase price at the closing, or in twelve (12) equal monthly installments of principal and interest calculated at the rate of point five percent (0.5%) over the base rate of the then-current prime, as published in the Wall Street Journal, with the first installment due at the closing. If the purchase price is paid at the closing (in cash, cash equivalents or marketable securities of equal value), at the closing, you will deliver instruments transferring to us or our assignee:

(i) good and merchantable title to the purchased assets free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you;

(ii) all licenses and permits for the Franchised Business which may be transferred; and

(iii) the lease for the site of the Franchised Business (if we have not negotiated a new lease for the site with the landlord).

If the purchase price is paid in installments (in cash, cash equivalents or marketable securities of equal value), at the closing, you will deliver the same instruments to us or our assignee as those described above, except that the documents may reserve liens and encumbrances for your benefit relating to the installments.

(d) We will have the right to set off against and reduce the purchase price of the assets by any and all amounts owed by you to us and our affiliates, and by the amount of any liens or encumbrances against the assets or any other obligations related to the assets that we assume;

(e) If we or our assignee exercise this option, pending the closing, we will have the right to appoint a general manager to maintain the operation of the Franchised Business. If we do, the procedures, duties and limitations specified in Section 25.7 will apply to the operation of the Franchised Business by the general manager. Alternatively, we may require you to close the Franchised Business pending the closing without removing any assets from the premises; and

(f) You will maintain in force all insurance policies required under this Agreement pending the closing.

27.4 On termination of the Franchise under Sections 26.1, 26.2, or 26.3, you agree to pay us within fifteen (15) days after the effective date of termination, in addition to other amounts owed hereunder, liquidated damages equal to the average monthly Royalty fees paid during the twelve (12) months of operation preceding the effective date of termination multiplied by the greater of: (a) twenty-four (24) (the number of months in two (2) full years), or (b) the number of months remaining in the term of the Franchise had it not been terminated. You acknowledge that it would be impracticable to determine precisely the damages we would incur from the termination of the Franchise and the loss of cash flow from Royalties, due to, among other reasons, the difficulties in determining what costs, if any, we might have saved and how much the Royalties would have grown over what would have been the remaining term of the Franchise. You and we consider the liquidated damages specified in this Section 27.4 to be a reasonable, good faith estimate of those damages. This liquidated damages provision only covers our damages from the loss of cash flow from Royalties and does not cover any other damages, including damages to our reputation with the public and landlords, and damages arising from any violation of any other provision of this Agreement. You agree that this liquidated damages provision does not give us an adequate remedy at law for any default under or for the enforcement of, any provision of this Agreement other than the Royalties provision.

28. ENTIRE AGREEMENT; EXECUTION DATE; MODIFICATION

28.1 This Agreement and the attachments are the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to you. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made to you in our Franchise Disclosure Document (including its exhibits and any amendments) that we furnished to you. The terms of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns. The execution date of this Agreement is the date it is countersigned by us.

28.2 Except as otherwise stated in this Agreement, this Agreement may not be modified except in a written agreement of at least equal formality signed by the parties.

29. INTERPRETATION

29.1 The caption headings of this Agreement are for convenience only and should in no way affect the manner in which any term of this Agreement is interpreted.

29.2 Whenever the context requires, the singular includes the plural, the plural includes the singular, the whole includes any part, and any gender includes all other genders.

29.3 The following words have the following meanings in this Agreement and any attachments: "including" means "including but not limited to"; "will" means "shall"; and "repeatedly" means "at least three (3) times".

29.4 Whenever this Agreement gives us the right to perform an act in the future, that act may be performed "from time to time", when we choose, in our sole discretion, unless stated otherwise in this Agreement.

29.5 If two (2) or more parties sign this Agreement for you or as your guarantors, their liability is joint and several.

29.6 This Agreement is governed by the laws of North Carolina; but if any term of this Agreement is not enforceable under the laws of North Carolina, that term is governed by the laws of the state in which the largest portion of the Territory is located.

30. PARTIAL INVALIDITY

30.1 If any Section of this Agreement is determined to be wholly invalid, that determination will not be deemed to affect the validity of any other Section. The parties agree that the remaining Sections will be deemed to be in full effect as if they had been executed by the parties after removal of the invalid Section. If any Section is determined to be partially invalid, the remainder of that Section will continue to be enforceable if in accordance with the intent of the parties.

30.2 If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of or refusal to renew the Franchise than is required by this Agreement or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any mandatory standard or specification in our manuals is invalid or unenforceable, the notice and/or action required by the law or rule will be substituted for the notice or action requirements of this Agreement, or the invalid or unenforceable provision, standard or specification will be modified to the extent required to be valid and enforceable. The modifications to this Agreement and our manuals will be effective only in the jurisdiction requiring them, and this Agreement and our manuals will be enforced as originally entered into or issued in all other jurisdictions.

31. WAIVER AND ESTOPPEL; FORCE MAJEURE

31.1 Our failure to exercise any right reserved to us under this Agreement, or to insist on compliance by you with any term of this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, will constitute a waiver of our right to demand compliance with any term of this Agreement. Our waiver of any default will not affect or impair our rights as to any subsequent default of the same or a different nature; nor will any delay, forbearance or omission by us to exercise any right as to any default of any term of this Agreement affect, impair or be our waiver of any right as to any subsequent default. Our rights and remedies under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude us from exercising or enforcing any other right or remedy to which we are entitled.

31.2 The parties to this Agreement will not be considered to be in default of any obligations hereunder, other than the obligation of a party to make payment of amounts due to the other party, if the failure of performance is due to a Force Majeure, including drought, flood, earthquake, storm, fire, lightening, epidemic, war, riot, civil disturbance, sabotage, strike or labor difficulty, or casualty to equipment. If any party is affected by a Force Majeure event, such party will give 14 days' notice to the other party stating the nature of the event, its anticipated duration and any action being taken to avoid or minimize its effect. The suspension of performance will be of no greater scope and no longer duration than is required, and the non-performing party will use its best efforts to remedy its inability to perform. The obligation to pay any amount in a timely manner is absolute and will not be subject to these Force Majeure provisions (Section 31.2), except to the extent prohibited by governmental rule or regulation.

32. ENFORCEMENT

32.1 Except as otherwise stated in this Agreement, the parties agree that any dispute between them, or any claim by 1 or more of them, concerning this Agreement, any related agreement, the Franchise or the Franchised Business that cannot be settled through negotiation or voluntary mediation, will be brought before any court stated in Section 32.4.

32.2 Nothing in this Article 32 will prevent us from obtaining temporary, preliminary or permanent injunctive relief, without bond, from a court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage that can be remedied under usual equity rules.

32.3 In any action for any dispute or claim or any action for injunctive relief concerning this Agreement, any related agreement, the Franchise or the Franchised Business, the party which substantially prevails in that action will be entitled to a judgment against the other party for the costs of the action, including reasonable attorneys' fees, reasonable expenses of litigation, and court costs.

32.4 **You and we each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each party will be limited to the recovery of actual damages sustained by it. You and we each irrevocably waive trial by jury in any court action, whether at law or equity, brought by either party. You and we each also agree that any action brought by either party relating to this Agreement, any related agreement, the Franchise or the Franchised Business will be brought in a state or federal court of general jurisdiction in the county or city in which our home office is located at the time. You irrevocably submit to the jurisdiction of these courts and waive any objections you may have to the venue of these courts.**

32.5 **You and we each agree that any claims between the parties must be commenced within one (1) year after the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or the claim will be barred.**

32.6 As security for the performance of your obligations under this Agreement, including payments owed to us for purchases by you, you hereby collaterally assign to us the lease and grant us a security interest in all of the operating assets of the Franchised Business, including but not limited to inventory, accounts, supplies, contracts and proceeds and products of all of those assets. You agree to execute such documents as we may reasonably request in order to perfect and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement. If a third party lender requires that we subordinate our security interest in the assets of the Franchised Business as a condition of lending you working capital for the construction and/or operation of the Franchised Business, we will agree to subordinate pursuant to terms and conditions determined by us in our sole discretion.

33. NOTICES

33.1 Any notice required to be given under this Agreement will be deemed to be given when delivered: by certified mail; by receipted courier or delivery service; by email; or personally. If delivery has not occurred after at least two of these methods have been used, any notice required to be given under this Agreement will be deemed to be given three (3) days after being posted by first-class mail, postage prepaid.

33.2 Notices to us will be sent to our address as stated in this Agreement or to any other address we may specify to you in writing. Notices to you will be sent to the address of the Franchised Business as stated in this Agreement or any other address you may specify to us in writing.

34. ACCEPTANCES, APPROVALS AND CONSENTS

34.1 Acceptances, approvals and consents required by this Agreement will not be unreasonably withheld or delayed.

34.2 Whenever this Agreement requires our prior acceptance, approval, or consent, you will make a timely written request to us for the acceptance, approval or consent, which will be obtained in writing.

34.3 We assume no liability or obligation to you by providing any acceptance, approval, consent or recommendation to you, or by delaying action on or denying any request for an acceptance, approval or consent.

34.4 Notwithstanding anything otherwise contained in this Agreement, if you do not execute and deliver any documents or other assurances so required of you pursuant to this Agreement, or if we our designated representative take over the management or operation of the Franchised Business on your behalf for any reason, you hereby irrevocably appoint us as your lawful attorney with full power and authority to execute and deliver, in your name, any documents and assurances, and/or to manage or operate the Franchised Business on your behalf, and to do all other acts and things, in our sole discretion, and you agree to ratify and confirm all of our acts as your lawful attorney and to indemnify and hold us harmless from all claims, liabilities, losses or damages suffered in so doing.

35. <u>ACKNOWLEDGMENTS BY FRANCHISEE</u>

35.1 You acknowledge that:

(a) **You have represented to us that neither you, your affiliated entities, nor any of your or their respective owners have been designated as: (i) suspected terrorists as set forth on the list of Specially Designated Nationals as promulgated by the Office for Asset Control under the U.S. Department of Treasury; or (ii) denied or unverified persons as set forth on the Denied Persons List and Unverified Persons list as promulgated by the Bureau of Industry and Standards under the U.S. Department of Commerce.**

(b) **You have conducted an independent investigation of the business contemplated by this Agreement and recognize that it involves significant risks, making the success of the business largely dependent on your abilities, effort, and attention. We expressly disclaim the making of, and you acknowledge that you have not received or relied on, any representation, warranty or guarantee, expressed or implied, as to the potential sales, profits, or success of the Franchised Business, except any financial performance representations contained in Item 19 of our Franchise Disclosure Document.**

(c) **In entering into this Agreement, you have not relied on any representation by us, by our affiliates, or by any of our respective shareholders, members, partners, officers, directors, employees or agents concerning the Franchised Business which are contrary to the terms of this Agreement and any attachments, or the representations in our Franchise Disclosure Document (including its exhibits and any updates or amendments) provided to you by us.**

(d) **You (and each shareholder, partner or member if you are a legal entity) have read and understand this Agreement and all attachments; we have fully and adequately explained the terms of each to your satisfaction; and we have accorded you ample time and opportunity to consult, and you have consulted, with existing franchisees and with financial, legal and other advisors of your own choosing, about the potential benefits and risks of establishing and operating a Franchised Business under this Agreement.**

(e) **Complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other DD franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.**

(f) **You have received our Franchise Disclosure Document, including our standard franchise agreement and all attachments at least fourteen (14) calendar days before the signing this agreement or making any payment to us.**

(g) **You have received a substantially complete version of this Agreement and all attachments at least seven (7) calendar days before signing this Agreement, if the terms of this Agreement are materially different from the terms in our**

standard franchise agreement, and if those materially different terms did not arise out of negotiations initiated at your request. If the terms of this Agreement are materially different from the terms of our standard franchise agreement, we have informed you of the differences between this Agreement and our standard franchise agreement at least seven (7) calendar days before you signed this Agreement.

(h) **You have made no payment to us before the signing of this Agreement.**

Each of the undersigned agrees to the terms of this Agreement.

FRANCHISEE ("YOU")	DAPPER DOUGHNUT FRANCHISE, LLC ("WE")
______________________________	By: ______________________________
Printed Name: ____________________	Printed Name: ______________________
Date Signed: _____________________	Its: ______________________________
	Date Signed: ______________________ ("*Effective Date*")

Attachment 1A

RESERVED AREA ADDENDUM

This RESERVED AREA ADDENDUM is attached to and made a part of the Agreement between you and us as of the Effective Date of the Agreement.

1. We have not yet accepted a proposed site for your DD business.

2. Your Reserved Area under Section 2.1 of the Agreement is:

____
____
____
____

The undersigned hereby agree to the terms of this Addendum.

FRANCHISEE ("YOU")	DAPPER DOUGHNUT FRANCHISE, LLC ("WE")
________________________________	By: ____________________________________
Printed Name: ______________________	Printed Name: ___________________________
Date Signed: _______________________	Its: ____________________________________
	Date Signed: ____________________________

Attachment 1B

SITE & TERRITORY ADDENDUM

This SITE & TERRITORY ADDENDUM is attached to and made part of the Agreement between you and us as of the Effective Date of the Agreement.

1. In accordance with Section 2.2, the Site of your Franchised Business is located at:

   ____

2. In accordance with Section 2.3, the Territory for the Franchised Business is:

   ____

3. Exceptions (if any) within the Territory are:

   ____

   ____

4. If the U.S. Postal Service alters the boundary(ies) or number(s) of any assigned ZIP code(s), we will reassign to you the redesignated ZIP code(s) that most correspond to any previously held ZIP code(s).

FRANCHISEE ("YOU")

____

Printed Name: ______________________

Date Signed: ______________________

DAPPER DOUGHNUT FRANCHISE, LLC ("WE")

By: ______________________________

Printed Name: ______________________

Its: ______________________________

Date Signed: ______________________

Attachment 2

TELEPHONE AND INTERNET SERVICE TRANSFER CONSENT AND AUTHORIZATION

On the expiration, termination, repurchase or transfer of the Franchise for any reason whatsoever, you hereby irrevocably appoint and designate Dapper Doughnut Franchise, LLC, as your attorney-in-fact to direct the telephone company to change, transfer and/or terminate any listed telephone numbers relating to the Franchised Business, and to direct any internet service provider or comparable internet authority to change, transfer and/or terminate any email addresses, domain names or other comparable electronic identities relating to the Franchised Business. You also hereby agree that Dapper Doughnut Franchise, LLC, may execute any legal document on your behalf to carry out the intent of this consent and authorization.

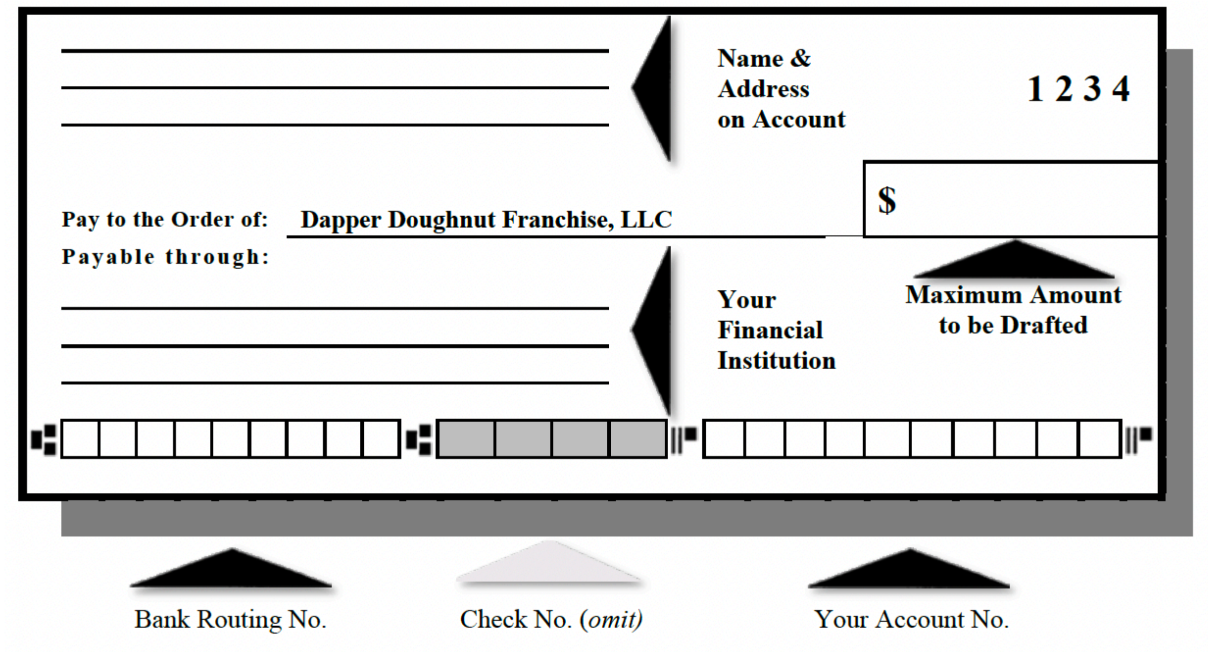
______________________________	______________________________
Date	Printed Name: ________________________
______________________________	______________________________
Date	Printed Name: ________________________

Attachment 3

ACH ORIGINATION AUTHORIZATION

ACH Origination services will not be considered until this application is
FILLED OUT COMPLETELY

Please complete the following with your banking information and attach a voided check:



I hereby authorize Dapper Doughnut Franchise, LLC ("Franchisor"), and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the sales analysis submitted by me to Franchisor and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Franchisor or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 30 days after deposit, whichever occurs first.

Signature: ____

Printed Name and Title (if any) of Person Signing: ______________________________

Application Date: ____________________ Telephone Number: ______________________

Contact Person (if different from person signing): ______________________________

Applicant's Printed Name (Individual or Company): ______________________________

Applicant's Address (if different from check): __________________________________

____

Attachment 4

LEGAL ENTITY INFORMATION SHEET

Legal Entity Name/Type: ____

State/Date of Formation: ____

Shareholders/Partners/Members: ______________________________________

__________	______________________________	___________________________________
% Interest	Class/General or Limited Partner	Name
__________	______________________________	___________________________________
% Interest	Class/General or Limited Partner	Name
__________	______________________________	___________________________________
% Interest	Class/General or Limited Partner	Name
__________	______________________________	___________________________________
% Interest	Class/General or Limited Partner	Name
__________	______________________________	___________________________________
% Interest	Class/General or Limited Partner	Name

Documents:	**Not Required**	**Provided to Us**	**To Be Provided to Us Within 30 Days**
Certificate and Articles of Incorporation	☐	☐	☐
Certificate and Agreement of Partnership	☐	☐	☐
Certificate and Agreement of Membership	☐	☐	☐
By-Laws	☐	☐	☐
Resolution Authorizing Franchise	☐	☐	☐
Agreement	☐	☐	☐
Other: ________________________________	☐	☐	☐

Conditions:

The legal entity's activities must be confined exclusively to operating the Franchise.

_____________________________________ (or another person with our written consent) must act as the legal entity's principal operating officer, partner or member.

Each shareholder, partner or member who has or have more than a 5% interest must sign the Guaranty Agreement (Attachment 5).

The legal entity must maintain stop transfer instructions against transfer on its records of any stock certificate or certificate of interest contrary to the terms of the franchise agreement.

Each stock certificate of the corporation or certificate of interest of the partnership or membership must include the statement specified in the franchise agreement.

The legal entity must maintain a current list of all shareholders, partners or members and other beneficial owners, and must furnish the list to us on request.

Attachment 5

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the signing by Dapper Doughnut Franchise, LLC ("we", "us" or "our") of the franchise agreement dated __________________ between us and ______________________________________ ("Franchisee") (the "Agreement"), each undersigned Guarantor ("you or "your") personally and unconditionally (1) guarantees to us and our successors and assigns, for the term of the Franchise and thereafter as provided in the Agreement, that Franchisee will punctually pay or perform each obligation in the Agreement, and (2) agrees to be personally bound by, and personally liable for the default of, each term of the Agreement. Each of you waives:

(1) our acceptance and notice of acceptance of these undertakings;

(2) notice of demand for payment of any indebtedness or non-performance of any obligation guaranteed;

(3) protest and notice of default to any party as to any indebtedness or non-performance of any obligation guaranteed;

(4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(5) any other notices and legal or equitable defenses to which you may be entitled.

Each of you agrees that:

(1) your direct and immediate liability under this guaranty is joint and several;

(2) you will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses to do so punctually;

(3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchisee or any other person; and

(4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claim, none of which will in any way modify or amend this guaranty, that will be continuing and irrevocable for as long as any obligation in the Agreement remains in effect.

Each of you affixes your signature to this guaranty as of the same date as the date of signing of the Agreement.

____
GUARANTOR

Name: ___________________________________

Address: _________________________________
____

Percentage Ownership in Franchise _____________

____
GUARANTOR

Name: ___________________________________

Address: _________________________________
____

Percentage Ownership in Franchise _____________

Attachment 6

LEASE ADDENDUM

THIS LEASE ADDENDUM is entered into this ___ day of __________________, 20__, among Dapper Doughnut Franchise, LLC ("Franchisor"); _________________________________ _____________("Lessor"); and ______________________________ ("Lessee").

RECITALS:

A. Lessor has agreed to lease to Lessee certain premises located at _______________ _____________________________________ ("premises") within a center known as __________ ____________ ("center') for use by Lessee as a DD business ("Franchised Business") operated under Franchisor's system and proprietary marks under a written franchise agreement dated ____ _____________ between Franchisor and Lessee as franchisee ("Franchise Agreement");

B. Under the terms of the Franchise Agreement, all right, title and interest in the lease and this Addendum ("Lease") must be transferred to Franchisor, if Franchisor, in its sole and absolute right, exercises any option to purchase the assets of the Franchised Business contained in the Franchise Agreement.

C. It is the intent of the parties to provide Franchisor with the opportunity to preserve the premises as a Franchised Business in case of any expiration or termination of the franchise granted in the franchise agreement and to assure Lessor that any defaults under the Lease will be cured before Franchisor takes possession of the premises; and

D. Lessee and Franchisor wish to preserve their rights under the Franchise Agreement as to the premises, including Franchisor's right to enter and/or take possession of the premises to enforce Franchisor's rights on Lessee's default under the Lease or the Franchise Agreement.

In consideration of the recitals above and of the terms below, the parties agree:

1. Default of Lessee under Lease. Lessor will give Franchisor notice of any default or termination of the Lease concurrently with giving notice to Lessee. If Lessee fails to cure any default within the period provided in the Lease, Lessor will give Franchisor immediate written notice of the failure to cure and Lessor will offer to Franchisor and Franchisor will have the sole and absolute right (but not the obligation), either to cure the default and preserve Lessee's interest in the premises and in the Lease, or to accept an assignment of the Lease or a new lease containing the same terms of the Lease, as Franchisor elects. If Franchisor elects to continue the use of the premises under an assignment of the Lease or a new lease, it will so notify Lessor in writing within 30 days after it has received written notice from Lessor specifying the default(s) Lessee has failed to cure within the period specified in the Lease. On receipt of that notice from Franchisor, Lessor will promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and will promptly deliver to Franchisor possession of the premises, free and clear of any rights of Lessee or any third party. Franchisor, before taking possession of the premises, will cure the default(s) specified by Lessor in its notice to Franchisor and will execute and deliver to Lessor its acceptance of the assignment of Lease or of a new lease, as the case may be.

2. Repurchase, Termination or Expiration of Franchise. If Franchisor repurchases the franchise from Lessee, or if the franchise between Franchisor and Lessee expires or is terminated for any reason during the term or any extension of the Lease, Lessee, on the written request of Franchisor, will assign to Franchisor all of its right, title and interest in the Lease. If Franchisor elects to accept the assignment of the Lease from Lessee, it will give Lessee and Lessor written notice of its election to acquire the leasehold interest. Lessor consents to the assignment of the Lease from Lessee to Franchisor, subject to Lessee's and/or Franchisor's curing any default(s) of Lessee under the Lease before Franchisor takes possession of the premises. Alternatively, in case of repurchase, expiration or termination of the franchise, Franchisor may elect to enter into a new lease with Lessor containing the same terms as the Lease. On Lessor's receipt of written notice from Franchisor advising Lessor that Franchisor elects to enter into a new lease, Lessor will execute and deliver the new lease to Franchisor for its acceptance. Lessor and Lessee will deliver possession of the premises to Franchisor, free and clear of all rights of Lessee or third parties, subject to Franchisor curing any default(s) of Lessee under the Lease and executing an acceptance of the assignment of Lease or the new lease, as the case may be. If Franchisor does not accept assignment of the Lease or a new lease after expiration or termination of the franchise, or if Franchisor determines that it must enter the premises to enforce any of its rights under the Franchise Agreement, Lessor consents to Franchisor's or its agent's entry onto the premises to enforce Franchisor's rights under the Franchise Agreement, including the removal of signs, materials, fixtures, equipment and other items identifying Lessee with Franchisor or belonging to Franchisor. Lessor agrees that, in exercising these rights, Franchisor will not be guilty of trespass or any other tort as to Lessor. Franchisor agrees to repair any damage to the premises caused by its entry and activity on the premises.

3. Relationship to Franchise Agreement. Lessor acknowledges that the Lease and/or any new or amended lease executed by the parties will be subject to and not inconsistent with the Franchise Agreement. For example, Lessor must permit Franchisor's entry onto the premises for the purpose of enforcing Franchisor's rights under the Franchise Agreement or for routine visits.

4. Use or Assignment of Premises. The parties agree that the premises must only be used for the operation of the Franchised Business, and that Lessee may not sublease or assign all or any part of its occupancy rights without Franchisor's prior written approval.

5. Exclusivity. Lessor agrees not to negotiate with or lease space within the center to any other tenant that will operate a business primarily serving doughnuts and coffee. Such other businesses include but are not limited to Dunkin Donuts, Krispy Kreme, DaVinci Donuts, Duck Donuts, Daylight Donuts, Paradise Donuts and ____.

6. Obligations of Franchisor. The parties acknowledge that the Lease does not create any rights against or obligations of Franchisor unless specifically stated in this Addendum.

7. Display of Marks. Lessor agrees that Lessee and/or Franchisor may display Franchisor's and/or its licensor's marks according to Franchisor's specifications in the Confidential Operations Manual provided to Lessee under the Franchise Agreement, as modified from time to time by Franchisor in its sole and absolute right, subject to the provisions of applicable law and community standards.

8. Right to Information. Lessor agrees to provide to Franchisor, on request, information regarding the Franchised Business or the Lease, including any information furnished to Lessor by Lessee.

9. Delivery of Lease; Franchisor's Prior Written Approval. Lessor and Lessee agree to deliver the Lease in executed form to Franchisor within 5 days after execution.

10. Waiver. Failure of Franchisor to enforce or exercise any of its rights under this Addendum will not constitute a waiver of those rights or a waiver of any subsequent enforcement or exercise of its rights under this Addendum.

11. Execution of Documents. The parties agree to execute all documents or agreements and to take all action as may be necessary or desirable to effectuate the terms of this Addendum.

12. Amendment of Lease. Lessor and Lessee agree not to amend, modify or waive the terms of the Lease in any respect that would adversely affect Franchisor's rights without the prior written consent of Franchisor.

13. Vacation of Premises. Lessee agrees to peaceably and promptly vacate the premises and to remove its personal property on the repurchase, termination or expiration of the franchise or on Lessee's failure to timely cure defaults under the Lease. Any property not so removed within 10 days after Lessee vacates the premises will be deemed abandoned.

14. Delivery of Possession. If it becomes necessary for Lessor to pursue legal action to evict Lessee in order to deliver possession of the premises to Franchisor, Franchisor will, at the written request of Lessor, pay into escrow amounts necessary to cure any default(s) by Lessee, pending delivery of the premises to Franchisor. If Lessor is unable to deliver the premises to Franchisor within 6 months after the date Franchisor notifies Lessor of its election to continue the use of the premises, Franchisor will have the right at any time to withdraw its election to acquire a leasehold interest in the premises, at which time all amounts deposited by Franchisor in escrow plus interest earned will be returned immediately to Franchisor. Franchisor will not be required to cure defaults and/or begin paying rent until delivery to it of possession of the premises, free and clear of any of Lessee's rights or the rights of any third parties.

15. Lessee's Liability. Lessee will remain liable for all of its obligations under the Lease regardless of the assignment of the Lease to Franchisor or the execution of a new lease between Franchisor and Lessor, and Franchisor will be entitled to recover from Lessee all amounts it has paid to Lessor to cure any default(s) by Lessee under the Lease.

16. Notices. All notices will be sent by certified mail and by email to the following addresses or to such other addresses as the parties may, by written notice, designate. Such notices will be deemed to be given 3 days after being sent by certified mail.

Dapper Doughnut Franchise, LLC
Attention: Konstantinos D. Grammenopoulos
6135 Park South Drive, Suite 510
Charlotte, NC 28210
info@dapperdoughnut.com

If to Lessor: Attention:

If to Lessee: Attention:

17. Binding Effect. This Addendum will be binding on the parties, their heirs, executors, successors, assigns and legal representatives.

18. Severability. If any provision of this Addendum or any part is declared invalid by any court of competent jurisdiction, the provision will not affect the validity of this Addendum and the remainder of this Addendum will remain in effect according to the terms of the remaining provisions or parts of provisions of this Addendum.

19. Remedies. The rights and remedies created under this Addendum will be deemed cumulative and no 1 of the rights or remedies will be exclusive at law or in equity of the rights and remedies which Franchisor may have under this Addendum or any other agreement to which Franchisor and Lessee are parties.

20. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Addendum, the prevailing party will be entitled to recover all attorneys' fees and costs incurred in the action.

21. Effective Date. Each of the undersigned agrees to the terms of this Addendum, effective the day and year first above written.

(*Signatures on the following page*)

LESSOR: ______________________________

By: ______________________________
Printed Name: ______________________________
Its: ______________________________

LESSEE: ______________________________

By: ______________________________
Printed Name: ______________________________
Its: ______________________________

FRANCHISOR: DAPPER DOUGHNUT FRANCHISE, LLC

By: ______________________________
Printed Name: ______________________________
Its: ______________________________

<u>Attachment 7</u>

STATE RIDERS TO FRANCHISE AGREEMENT

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ______________________________________, a ______________________________________ whose principal business address is __________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Rider (the "**Franchise Agreement**"). This Rider is part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement was made in the State of Illinois and the franchised business will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **Governing Law**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

   However, Illinois law will apply to claims arising under the Illinois Franchise Disclosure Act.

3. **Consent to Jurisdiction**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

   However, subject to the parties' arbitration obligations, the parties submit to the jurisdiction and venue of the state and federal courts of competent jurisdiction in Illinois for claims arising under the Illinois Franchise Disclosure Act.

4. **Waiver of Jury Trial**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

   However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

   However, nothing in this Section shall shorten any period within which Franchisee may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

6. **Waivers Void**. The following language is added as a new Section 32.7 of the Franchise Agreement and Section 20.1 of the Area Development Agreement:

Nothing in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

7. **Franchise Questionnaires and Acknowledgments**. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ____, a ________________________________ whose principal business address is _______________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Rider (the "**Franchise Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the franchised business that you will operate under the Franchise Agreement will be located in Maryland.

2. **Releases**. The following language is added to the end of Section 25.2(b)(iv), of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

   However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Insolvency**. The following language is added to the end of Section 26.2 of the Franchise Agreement and Section 15.2 of the Area Development Agreement:

   ; termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.

4. **Governing Law**. The following language is added to the end of Sections 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

   However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   However, subject to the parties' arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **Franchise Questionnaires and Acknowledgments**. 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

**RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ____, a ______________________________________ whose principal business address is __________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Rider (the "**Franchise Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the franchised business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **Releases.** The following language is added to the end of Section 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

   ; however, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **Infringement**. The following language is added to the end of Section 24.1 of the Franchise Agreement:

   To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

4. **Renewal and Termination**. The following is added to the end of Sections 3.2, of the Franchise Agreement and Sections 15 and 16 of the Area Development Agreement:

   However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **Governing Law**. The following is added to the end of Sections 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

   However, nothing shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **Consent to Jurisdiction**. The following is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Section 17.G shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **Limitations of Claims**. The following is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

   However, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

8. **Franchise Questionnaires and Acknowledgments**. 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.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ____, a ____ whose principal business address is ___________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the "**Franchise Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the franchised business in New York.

2. **Releases**. The following language is added to the end of Section 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

   , provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer by Us**. The following language is added to the end of Section 25.1 of the Franchise Agreement:

   However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **Termination by You**. The following language is added to the end of Section 27 of the Franchise Agreement and Section 16 of the Area Development Agreement:

   You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **Governing Law and Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied

7. **Application of Rider**. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

8. **Franchise Questionnaires and Acknowledgments**. 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.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ______________________________
[Signature of person signing on behalf of the entity]

Title: _____________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: _________________________

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: _________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**" or "**our**"), and ____, a _____________________________________ whose principal business address is ____("**you**" or "**your**").

1. **Background**. We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the "**Franchise Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the franchised business will be located in North Dakota, and/or (b) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement was made in the State of North Dakota.

2. **Releases**. The following language is added t to the end of 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

   Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **Covenant Not to Compete**. The following language is added to the end of Section 21 of the Franchise Agreement and Section 11.2 of the Area Development Agreement:

   Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. **Arbitration**. The following language is added to the end of Section 29.6 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   However, to the extent required by the North Dakota Franchise Investment Law (unless preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

5. **Governing Law**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

6. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, that to the extent required by applicable law, subject to your arbitration obligation, you may bring an action in North Dakota.

7. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

The time limitations set forth in this Section might be modified by the North Dakota Franchise Investment Law.

8. **Franchise Questionnaires and Acknowledgments**. 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.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: ___________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: ___________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**" or "**our**"), and ____, a ______________________________________ whose principal business address is ____("**you**" or "**your**").

1. **Background**. We and you are parties to that certain Franchise Agreement effective as of ______________________, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Rhode Island and the franchised business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **Governing Law**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   However, subject to your arbitration obligation, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: _______________________________
[Signature of person signing on behalf of the entity]

Title: _____________________________

DATED: __________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOUSRE DOCUMENT, FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND RELATED AGREEMENTS

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

The undersigned does hereby acknowledge receipt of this addendum.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

<u>EXHIBIT C</u>

AREA DEVELOPMENT AGREEMENT AND ATTACHMENTS

DAPPER DOUGHNUT
AREA DEVELOPMENT AGREEMENT, STATE RIDERS AND ATTACHMENTS

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1 Area Addendum
2 Development Addendum
3 Legal Entity Information Sheet
4 Guaranty Agreement
5 State Rider to the Area Development Agreement

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT ("Agreement") is entered into by DAPPER DOUGHNUT FRANCHISE, LLC ("Franchisor") and ___________________________ ____ ("Area Developer").

RECITALS

A. Franchisor has expended time, skill, money and effort to develop a system for establishing and operating DAPPER DOUGHNUT® ("*DD*") retail businesses that offer hot mini doughnuts, hand decorated to order in assorted glazes and toppings, coffee, coffee beverages (*e.g.* espresso, latte), teas and other beverages in in "Full-Service" Retail locations (the "*System*").

B. Franchisor has also expended time, skill, money and effort in publicizing the System and the services and products offered under the System, and has developed and will continue to develop valuable goodwill in the service mark, trademark and trade name DD and in its trade dress; and may develop or acquire other service marks, trademarks, trade names and trade dresses for use under the System ("Marks"), all of which Marks will be the sole property of Franchisor.

C. Franchisor grants designated geographic areas to others within which they may establish and operate franchised DD Retail businesses using the System and Marks and provides to those area developers continuing advice on the establishment and operation of their DD Retail businesses.

D. Area Developer desires to obtain the exclusive right to establish and operate 3 or more franchised DD Retail locations ("Franchised Businesses") within a designated geographic area under the System and Marks, as well as to receive relevant training and other assistance provided by Franchisor to its area developers.

In consideration of the recitals above and of the terms below, Franchisor and Area Developer agree:

1. AREA GRANT

1.1 Subject to the terms of this Agreement, Franchisor grants to Area Developer the right, and Area Developer undertakes the duty, to establish and operate __________________ Franchised Businesses under the System and Marks in the area described in Section 3 (the "Area"). This right is referred to in this Agreement as the "Area Grant." Each Franchised Business will be operated under the terms of an individual Franchise Agreement executed by Area Developer and Franchisor.

1.2 If Area Developer complies with the terms of this Agreement, then Franchisor will not franchise or license others, nor will it directly or indirectly develop, own, lease, construct or operate in any manner, any DD Retail business at any traditional venue in the Area during the term of this Agreement.

1.3 Franchisor, on behalf of itself and its affiliates, designees, and assignees, reserves the sole and absolute right, without offering Area Developer the right to participate:

(a) to establish and operate, and to grant to others the right to establish and operate, DD Retail locations or DD Food Truck businesses at places anywhere outside the Area, including locations near the Area's boundaries;

(b) in or outside the Area, to establish and operate, and to grant others rights to establish and operate DD Food Truck businesses;

(c) in or outside the Area, to offer and sell products and services that are the same as the products and services offered by DD businesses, or different products and services, using DD trademarks or different trademarks;

(d) in or outside the Area, to establish and operate, and to grant others the right to establish and operate, DD businesses that are located within non-traditional venues, such as convention centers, airports, casinos, hotels, sports facilities, theme parks, hospitals, transportation facilities, venues in which master concessionaires provide foodservice, and similar captive market locations;

(e) in or outside the Area, to sell any products or services, using DD trademarks or different trademarks, through alternative channels of distribution, such as grocery stores, convenience stores and the internet;

(f) to acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) and continue to operate, directly or indirectly, any business operating under different trademarks in or outside the Area;

(g) to acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business operating under different trademarks in or outside the Area;

(h) in or outside the Area, to acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) or to establish and promote other franchise systems involving different products or services using different trademarks, and to establish company-owned or franchised outlets for those systems;

(i) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any other person, including a competing business, even if such person operates, franchises and/or licenses businesses in close proximity to the Franchised Business; and/or

(j) to engage in other activities not expressly prohibited by this Agreement.

2. <u>TERM</u>

2.1 The term of the Area Grant will commence on the execution of this Agreement and will continue for the period of time specified in the Development Addendum (Attachment 2) as required to develop the number of Franchised Businesses designated in Section 1.1 of this Agreement, unless sooner terminated under Section 15.

2.2 Area Developer will not have the right to extend the term of the Area Grant, although Franchisor and Area Developer may mutually agree to extend the term of the Area Grant.

2.3 If Area Developer complies with the terms of this Agreement, for 2 years after the expiration of the term of the Area Grant, Area Developer will have a right of 1st refusal as to any additional Franchised Businesses proposed to be developed within the Area, which Area Developer will be required to exercise by signing a franchise agreement and paying the initial franchise fee for the Franchised Business within 30 days after being offered the right.

3. AREA

3.1 Area Developer may locate Franchised Businesses only at sites within the geographic area designated in the Area Addendum (Attachment 1).

4. PERSONAL ATTENTION OF AREA DEVELOPER

4.1 Area Developer (or if Area Developer is not an individual, Area Developer's principal operating officer, partner or member) or a Manager who has successfully completed all required Franchisor training, will personally manage the selection of sites for, and the establishment of, Franchised Businesses in the Area.

5. AREA DEVELOPMENT FEE

5.1 An "Area Development Fee" equal to ten thousand dollars ($10,000) per Franchised Business (other than Area Developer's 1st Franchised Business) to be developed under this Agreement will be paid by Area Developer to Franchisor on execution of this Agreement. The Area Development Fee is $____________. If Area Developer paid a deposit to reserve a specific Area, that amount will be credited against the Area Development Fee that must be paid.

5.2 The Area Development Fee is non-refundable and fully earned by Franchisor when paid, except as follows: if Area Developer is unable to successfully complete initial training under the 1st franchise agreement executed concurrently with this Agreement, or Franchisor otherwise decides that Area Developer should not operate a Franchised Business, Franchisor may cancel the 1st franchise agreement. If Franchisor cancels the 1st franchise agreement, Franchisor may cancel this Agreement. If Franchisor cancels this Agreement, Franchisor will deduct out-of-pocket expenses, including any broker referral fees, and may, but are not obligated to do so, refund up to twenty percent (20%) of the Area Development Fee if Area Developer agrees to terms substantially similar to those in Sections 11, 16 and 21.

6. INITIAL FRANCHISE FEES

6.1 Concurrently with the execution of this Agreement, Area Developer must execute a franchise agreement for Area Developer's first (1st) Franchised Business, which must be a Retail location, and must pay Franchisor the undiscounted Initial Franchise Fee of forty-five thousand dollars ($45,000) for that first (1st) business.

6.2 Area Developer will pay Franchisor an Initial Franchise Fee for each additional Franchised Business (other than Area Developer's first (1st) Franchised Business) developed under this Agreement, to be paid when the franchise agreement for each additional Franchised Business is signed. The Initial Franchise Fee for each additional Franchised Business will be $10,000.

7. DEVELOPMENT SCHEDULE

7.1 Area Developer will establish and operate Franchised Businesses according to the Development Addendum (Attachment 2). Area Developer must be in compliance with all of its previously executed franchise agreements for DD businesses in order to be eligible to open new DD businesses.

7.2 If Area Developer is unable to comply with the Development Schedule due to strike, riot, civil disorder, war, failure of supply, fire, natural catastrophe or any other similar event beyond its control, then on notice delivered to Franchisor, the Development Schedule and the term of the Area Grant will be extended for a corresponding period not to exceed one hundred and twenty (120) days.

7.3 Area Developer agrees to submit to Franchisor monthly reports of its activities and progress in selecting sites for and establishing Franchised Businesses under this Agreement. Each monthly report will be submitted on the fifth (5^{th}) day of the month for the prior month.

8. SITES OF FRANCHISED BUSINESSES

8.1 The site of each Franchised Business within the Area will be selected by Area Developer, subject to Franchisor's prior written acceptance, which acceptance will take into account a site report and other information provided by Area Developer, and other factors described more fully in the applicable franchise agreement and Confidential Operations Manual.

8.2 The lease or acquisition of any proposed site by Area Developer without Franchisor's prior written acceptance will be the sole risk and responsibility of Area Developer, and will not obligate Franchisor in any way to accept the site. The acceptance of a proposed site by Franchisor will not in any way constitute a warranty or representation by Franchisor as to the suitability of the site for a Franchised Business.

9. FRANCHISE AGREEMENTS

9.1 Area Developer will open a Franchised Business only if a then-current form of franchise agreement for the Franchised Business has been executed by Franchisor and the Initial Franchise Fee for the Franchised Business has been paid by Area Developer to Franchisor.

10. LEGAL COMPLIANCE, TAXES, LICENSES, UTILITIES AND OTHER OBLIGATIONS

10.1 Area Developer must comply with all laws applicable to the operation of its business, including all administrative and governmental regulations relating to fictional business names, occupational hazards, health, consumer protection, and unfair or deceptive practices, securing and promptly paying for all licenses, permits and inspections, and promptly paying all withholding, unemployment, occupational, privilege, license, sales, use and income taxes and the like, including all taxes and fees levied and asserted on Area Developer's business property, and all water, sewer, gas, telephone, electric, power and other utility charges assessed or charged to any Franchised Business.

10.2 Area Developer must promptly satisfy any other indebtedness that it incurs in its business.

10.3 Area Developer must promptly notify Franchisor of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, that may adversely affect the operation or financial condition of its business.

11. TRADE SECRETS AND CONFIDENTIAL INFORMATION

11.1 Area Developer acknowledges that the System involves trade secrets owned by Franchisor and that, during its relationship with Franchisor, Area Developer will acquire knowledge of confidential information, including know-how, sales, organizational, operational and other information concerning the System.

11.2 Area Developer agrees that, without Franchisor's prior written consent, it will never either during or after the term of the Area Grant, use or allow the use of any trade secret or confidential information except in connection with the operation of its business or the Franchised Businesses by persons actively involved in the operation of the business(es). Area Developer further agrees that it will not disclose the contents of any manuals, plans, records or other documents relating to its business or to the Franchised Businesses to any third party, except a party who is actively involved in the operation of the business(es) and who has a valid need for disclosure. Any employee or independent contractor to whom a trade secret or confidential information is disclosed will be informed that the trade secret or confidential information is confidential and proprietary to Franchisor, and that it may not be used except under an area development or franchise agreement with Franchisor.

11.3 Area Developer must not disclose confidential information and/or financial information as to Franchisor or the Franchised Business to any competitor or potential competitor of Franchisor or of any DD franchisee or area developer. Franchisee must keep records, subject to inspection by Franchisor, identifying all persons to whom Franchisee reveals the financial information.

11.4 Area Developer agrees to promptly reveal to Franchisor discoveries, inventions, innovations or improvements made by Area Developer, or by any of Area Developer's Managers, employees or independent contractors, relating to materials, devices, methods or processes in any way connected with the System, and further agrees that all proprietary interests in the information, materials, devices, methods, techniques, know-how and processes utilizing those discoveries, inventions, innovations and improvements will be the property of Franchisor.

11.5 Area Developer agrees that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to Franchisor and entitle Franchisor to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorney's fees, and any other appropriate relief. Area Developer agrees that its only remedy if an injunction is entered against Area Developer will be the dissolution of that injunction, if warranted, upon due hearing, and expressly waives all claims for damages caused by the wrongful issuance of any injunction.

12. AREA DEVELOPER AS INDEPENDENT CONTRACTOR

12.1 Relationship of Parties. Under this Agreement, Area Developer is an independent contractor with entire control and direction of the area development business, subject only to the terms of this Agreement and its attachments. This Agreement is not intended to, and does not create a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee, or servant of any other party for any purpose. In that regard:

(a) Neither Franchisor, nor any of Franchisor's affiliates, nor any of their respective partners, managers, shareholders, officers, directors, employees and agents, have any right or duty to operate the area development business, and they expressly disclaim any liability under this Agreement for any damages arising out of the operation of the area development business.

(b) Area Developer is solely responsible for recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining and firing its personnel, and Area Developer's personnel are not Franchisor's employees, independent contractors or agents. Franchisor has no right or duty to supervise, or to exercise control over, Area Developer's personnel in the operation of the area development business, and disclaims any rights or responsibilities as to Area Developer's personnel. To the extent that Franchisor provides Area Developer with guidelines, recommendations, materials and other resources related to functions such as recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing personnel, Area Developer may use those resources, or may choose to use alternate resources. Area Developer is solely responsible for consulting with its own third party human resources ("HR") service provider and/or legal counsel concerning compliance with personnel laws and regulations that are applicable within the Area, and for complying with those laws and regulations.

(c) Except as provided in this Agreement, Area Developer is solely responsible for training its personnel. To the extent that Franchisor provides Area Developer with guidelines, recommendations, materials and other resources related to training Area Developer's management and non-management personnel, Area Developer may use those resources, or may choose to use alternate resources, so long as its personnel are trained to operate the area development business in a System-compliant, legal and safe manner.

(d) Area Developer is solely responsible for establishing and enforcing its own policies related to personnel practices and labor relations. To the extent that Franchisor provides Area Developer with guidelines, recommendations and materials related to personnel practices and labor relations, Area Developer may use those resources, or may choose to use alternate resources. Area Developer is solely responsible for consulting with its own third party HR service provider and/or legal counsel concerning compliance with personnel and labor relations laws and regulations that are applicable within the Area, and for complying with those laws and regulations.

12.2 Notices to Public, Etc. During the term of the Area Grant, Area Developer agrees to hold itself out, to the public, public officials, its suppliers, its independent contractors and others, as an independent contractor operating the area development business pursuant to rights granted by Franchisor, but not jointly with Franchisor. Area Developer agrees to take any reasonable action that Franchisor considers necessary to that end, including exhibiting notices of the parties' relationship in a conspicuous manner at any premises of the area development business, and on websites, letterhead, forms, business cards, electronic communications, advertisements, and other materials Franchisor designates. Franchisor reserves the right to specify and change the content and form of these notices.

12.3 Statements to and Acknowledgements by Employees. During the term of the Area Grant, Area Developer shall hold itself out to its prospective employees, and to its employees, as an independent contractor operating the area development business pursuant to rights granted by Franchisor, but not jointly with Franchisor. Area Developer shall take any reasonable action that Franchisor considers necessary to that end, including (i) stating conspicuously on each employment application that the prospective employee is applying to be Area Developer's employee and not an employee of Franchisor, (ii) stating Area Developer's entire business name, rather than just using Franchisor's brand name and/or logo, on Area Developer's payroll checks and/or payroll-related communications to employees, and (iii) requiring employees to sign acknowledgements that they are not employees of Franchisor, even though they are selling products and services identified by Franchisor's brand name and/or logo, are receiving payroll checks and other communications that contain Franchisor's brand name and/or logo, may have applied for jobs through Franchisor's website(s), or may communicate with or receive non-mandatory feedback, coaching or recommendations from Franchisor's representatives in emails or other electronic or written communications, or during telephone calls, meetings or inspections. Franchisor reserves the right to specify and change the content and form of these statements and acknowledgements.

12.4 Contracts, Etc. Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty or representation on Franchisor's behalf; to incur any obligation, debt or expense in Franchisor's name; or to make any representation to any third party tending to indicate a business relationship with Franchisor beyond that created under this Agreement. Franchisor disclaims any liability for, and will not be liable under this Agreement for any claim or judgment arising as a result of, any such action. Under this Agreement, no party is responsible for any obligations, debts or expenses of any other party.

13. INDEMNIFICATION

13.1 Area Developer must indemnify Franchisor and Franchisor's affiliates, successors, and assigns, and their respective partners, shareholders, members, managers officers, directors, employees and agents, for any expenses arising out of any claim directly or indirectly related to Area Developer's establishment or operation of any Franchised Business or performance or lack of performance under this Agreement, if the claim does not arise from the gross negligence or wrongful conduct of Franchisor. Area Developer acknowledges (i) that Franchisor does not have any reserved or general right to exercise control over, and do not exercise any indirect or direct control over, the day-to-day operation of the area development business (including operations-related functions such as safety, security, the use of equipment or the use of motor vehicles, and personnel-related functions such as recruiting, interviewing, hiring, determining the terms of employment, compensating, timekeeping, payroll processing, providing work resources, scheduling, supervising, disciplining and firing), (ii) that all liability arising out of the operation of the area development business is therefore Area Developer's responsibility, and (iii) that Area Developer's indemnification obligation under this Section 13.1 covers any "joint employer," "agency," "ostensible agency" or similar claims by third parties based on the establishment or operation of the area development business. Area Developer must promptly notify Franchisor of any claim by or against Area Developer directly or indirectly related to Area Developer's establishment or operation of any Franchised Business and, on request, must furnish Franchisor with copies of any filings in any proceeding involving the claim.

13.2 As used in Section 13.1, the word "expenses" includes all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to reputation or goodwill, costs of or resulting from delays or financing, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

13.3 The indemnification obligations of Area Developer will survive the expiration or termination of the Area Grant for as long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, Area Developer waives the effect of any statute of limitation which would, by lapse of time, limit its indemnification obligations.

14. <u>TRANSFERS OF INTEREST</u>

14.1 <u>Transfer by Franchisor</u>. Franchisor may sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber ("transfer") all or any part of its rights, interests or obligations under this Agreement to any person or entity.

14.2 <u>Transfer by Area Developer</u>.

(a) Area Developer acknowledges that the rights and obligations under this Agreement are personal to Area Developer, and that Franchisor has granted the Area Grant in reliance on Area Developer's business skill, financial capacity, personal character and reputation for honesty, integrity, and fair dealing. Accordingly, Area Developer, any immediate or remote successor to any part of Area Developer's interest in Area Developer, this Agreement, any attachments, the Area Grant or the Franchised Businesses, any shareholder if Area Developer is a corporation, or any general or limited partner (including any person or entity which controls, directly or indirectly, any general or limited partner) if Area Developer is a partnership, any member if Area Developer is a limited liability company, may not transfer any interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business, without the prior written consent of Franchisor. Any purported transfer not having the prior written consent of Franchisor, including any purported transfer to a creditor, will be null and void.

(b) Franchisor will not unreasonably withhold its consent to a transfer of any interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring either a controlling interest in or operating control of Area Developer, this Agreement, any related agreement, the Area Grant or any

Franchised Business, Franchisor may, in its sole and absolute right, require as conditions to its consent that:

(i) Area Developer is in substantial compliance with the terms of this Agreement and any franchise agreements;

(ii) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has demonstrated to Franchisor's satisfaction that it meets the then-current standards which Franchisor would normally apply to any prospective Area Developer. The transferee, for example, has demonstrated that it meets Franchisor's educational, personal, managerial and business standards; possesses a good moral character and a good business reputation; has the aptitude and ability to establish and operate Franchised Businesses (as may be shown by prior related experience); has adequate financial resources and capital to establish and operate the Franchised Businesses; is financially responsible and has a good credit rating; will be likely in Franchisor's sole and absolute judgment to comply with the terms of this Agreement or Franchisor's then-current standard area development agreement, the franchise agreement(s) and Franchisor's then-current standard franchise agreement and manuals; and has no direct or indirect connection with any actual or potential competitor of Franchisor or of any DD franchisee or area developer;

(iii) Area Developer's debts to Franchisor and others relating to the Area Grant and the Franchised Businesses have been satisfied;

(iv) Area Developer and the transferor have executed a general release, in a form satisfactory to Franchisor, of any claims against Franchisor and its partners, shareholders, officers, directors, employees and agents, in their corporate and individual capacities;

(v) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has entered into a written transfer agreement, in a form satisfactory to Franchisor, assuming and agreeing to discharge Area Developer's and/or the transferor's obligations under this Agreement and any attachments;

(vi) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has executed Franchisor's then-current standard area development agreement (excluding any requirement to pay an initial area development fee) and attachments (including any guaranty agreements) for a term ending on the same date as the expiration date of Area Developer's then-current term;

(vii) The transferee and its Manager, if any, have agreed to successfully complete (at the transferee's expense and to Franchisor's satisfaction) any training programs then in effect for area developers;

(viii) Area Developer or the transferor has paid a transfer fee of $2,500 per undeveloped site;

(ix) Franchisor has decided not to exercise its right of first refusal, if any, under Section 14.5;

(x) Franchisor has consented to the material terms and conditions of the transfer, including the price and terms of payment, which will not be so burdensome as to adversely affect the establishment and operation of Franchised Businesses by the transferee; and

(xi) If any part of the sale price of any transferred interest is to be financed, the transferor will have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by the transferor in the assets of the Franchised Businesses will be subordinate to the obligations of the transferee to pay Royalties, advertising contributions and other amounts due to Franchisor and its affiliates, or otherwise to comply with this Agreement or the area development agreement executed by the transferee.

(c) Except as specified below, the transfer fee specified in Section 14.2(b)(viii) is non-refundable and fully earned by Franchisor when paid. If transferee is unable to successfully complete initial training, in its sole and absolute discretion, Franchisor may cancel this Agreement or the transferee's then-current area development agreement. If Franchisor so cancels this Agreement or the transferee's then-current area development agreement, Franchisor will refund the transfer fee, less out-of-pocket expenses incurred, if the transferee agrees to terms substantially similar to those in Sections 11, 16 and 21.

(d) No transfer in the nature of a grant of a security interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business will be permitted without Franchisor's prior written consent, which consent will be granted or withheld in Franchisor's sole and absolute right. If Franchisor consents to a transfer in the nature of a grant of a security interest, and if the holder of the security interest later seeks to exercise the rights of Area Developer or assume the interest of Area Developer in this Agreement, any related agreement, the Area Grant or any Franchised Business due to a default under any documents related to the security interest, Franchisor will have the option to purchase the rights of the secured party by paying all sums then due to the secured party, and the secured party will sign an agreement to that effect before any transfer takes place.

14.3 <u>Transfer to Area Developer's Legal Entity</u>. If the proposed transfer is to a legal entity controlled by Area Developer which is formed solely for the convenience of ownership, Franchisor's consent to the transfer may, in its sole and absolute right, be conditioned on the following requirements:

(a) The legal entity's activities will be confined exclusively to establishing and operating DD businesses;

(b) Area Developer will own a majority stock interest, membership interest or partnership interest in the transferee legal entity, and will act as its principal operating officer, member or partner;

(c) Each stock certificate of a corporation, certificate of interest of a partnership or membership will have conspicuously endorsed on its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further transfer is subject to, all restrictions on transfers in this Agreement;

(d) All shareholders, partners, or members jointly and severally guarantee the legal entity's performance and will bind themselves to the terms of this Agreement and any attachments, but the terms of this Section 14.3(d) will not apply to any corporation registered under the Securities Exchange Act of 1934 as a publicly held corporation;

(e) Area Developer will maintain a current list of all partners, members or shareholders and beneficial owners of any class of stock, and furnish the list to Franchisor on request; and

(f) Copies of the transferee legal entity's organizing documents and any other significant governing documents, promptly will be furnished to Franchisor.

14.4 Transfer and Issuance of Securities. If Area Developer is a legal entity, it will maintain stop transfer instructions against the transfer of any stock certificate or certificate of interest contrary to the terms of this Article 14 , and will issue no certificate on the face of which the following statement does not legibly and conspicuously appear:

> The transfer of this [insert type of ownership interest] is subject to the terms of an Area Development Agreement dated [insert date] between Dapper Doughnut Franchise, LLC and [insert name of legal entity].

14.5 Franchisor's Right of First Refusal.

(a) If Area Developer or any other person at any time determines to sell an interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business, a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to Franchisor by Area Developer or the other person or entity involved. The offer must apply only to an interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business. It must not include the purchase of any other property or rights of Area Developer (or its shareholder, partner or member), but if the offeror proposes to buy any other property or rights of Area Developer (or its shareholder, partner, or member) under a separate, contemporaneous offer, the price and terms of purchase offered to Area Developer (or its shareholder, partner, or member) for the interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business will reflect the bona fide price offered and will not reflect any value for any other property or rights. Franchisor will have the right, exercisable by written notice delivered to Area Developer or the person or entity involved within 30 days after receipt of the copy of the offer, to purchase the interest for the price and on the terms and conditions contained in the offer, provided that Franchisor may substitute cash or a cash equivalent for any form of payment proposed in the offer, Franchisor's credit will be deemed equal to the credit of any proposed purchaser, and Franchisor will have not less than 60 days to prepare for closing. If the parties cannot agree on a cash equivalent within a reasonable time, three appraisers will be designated (1 by Franchisor, 1 by Area Developer, and 1 jointly by the first 2 appraisers), and their determination will be binding. The parties will equally share the fees and expenses of any appraiser jointly selected, but each will pay separately for any appraiser it independently selects. Franchisor will be entitled to purchase the interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of the corporation whose stock is purchased. If Franchisor does not exercise its right of first refusal, Area Developer or the person or entity involved may complete the sale to the purchaser under the terms of the offer subject to Franchisor's consent to the transfer under Section 14.2(b), but if the sale to the purchaser is not completed within 120 days after receipt of the offer by Franchisor, or if there is a material change in the terms of the sale, Franchisor will have an additional right of first refusal for 30 days on the same terms and conditions as were applicable to the initial right of first refusal.

(b) If a proposed transferee is the spouse, child or parent of the proposed transferor, or is a person or entity already holding an equity interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business as of the date of this Agreement that has been disclosed to Franchisor, Franchisor will not have any right of first refusal as provided in Section 14.5(a), unless the proposed transferee has a direct or indirect connection with any actual or potential competitor of Franchisor or of any DD area developer or franchisee. Written notification of this type of transfer must be provided to Franchisor by the transferor at least 30 days before consummation of the transfer.

14.6 Transfer On Death, Permanent Incapacity or Dissolution. On the death or permanent incapacity of any person with an interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Business, or on the dissolution of Area Developer if it is a legal entity, the executor, administrator, personal representative or trustee ("personal representative") of that person or entity will transfer his, her or its interest to a third party acceptable to Franchisor within 180 days after assuming that capacity. Any transfer of this type, including a transfer by devise or inheritance, will be subject to the same requirements as other transfers under this Agreement, but if the transfer is to a spouse, child or parent, the fee required under Section 14.2(b)(viii) will not be required. If the personal representative is unable to meet these conditions, the personal representative will have an additional 60 days to dispose of the interest, which disposition will be subject to the requirements for transfers in this Agreement, including the requirements of this Article 14. If the interest is not disposed of within 60 days, Franchisor may terminate this Agreement.

14.7 Interim Operation of Business on Death or Permanent Disability. Pending transfer on the death or permanent incapacity of Area Developer (or the principal operating officer, partner or member of Area Developer, if it is a legal entity), Franchisor will have the option to appoint a general manager to operate Area Developer's business and the Franchised Businesses for the account of Area Developer until an approved transferee is able to assume the operation of Area Developer's business and the Franchised Businesses, for a period of up to 12 months without the consent of Area Developer, the personal representative of Area Developer, or Area Developer's successor in interest. All funds from the operation of the Area Developer's business and the Franchised Businesses during the period of operation by a Franchisor-appointed general manager will be kept in a separate fund, and all expenses incurred, including the Franchisor-appointed appointed general manager's wages and benefits, and his or her reasonable traveling, lodging and meal expenses (the "Management Expenses"), will be charged to the fund. As compensation for services provided, Franchisor will charge the fund the full amount of the Management Expenses incurred during the period of operation by Franchisor. Franchisor will only have a duty to utilize reasonable efforts in operating Area Developer's business and the Franchised Businesses, and will not be liable to Area Developer or its principals for any debts, losses or obligations incurred by Area Developer's business or the Franchised Businesses, or to any creditor for any equipment, inventory, products, services or supplies purchased for Area Developer's business or the Franchised Businesses during any period in which they are operated by the Franchisor-appointed general manager.

14.8 Non-Waiver of Claims. Franchisor's consent to a transfer of any interest in Area Developer, this Agreement or any related agreement, the Area Grant or the Franchised Businesses will not be a waiver of any claims it may have against the transferring party, nor will it be a waiver of Franchisor's right to demand the transferee's compliance with the terms of this Agreement.

14.9 Public or Private Offering. Securities of Area Developer or an entity owning a direct or indirect equity interest in Area Developer, this Agreement, any related agreement, the Area Grant or any Franchised Businesses may be offered to the public in a private or public offering only with the prior written consent of Franchisor (whether or not Franchisor's consent is required under Section 14.2(b)), which consent will not be unreasonably withheld. The terms of this Section 14.9 are subject to Article11. No offering will imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities. Area Developer will reimburse Franchisor for its reasonable expenses incurred in connection with the offering or proposed offering (including attorneys' fees). The prospectus or other literature utilized in any offering must contain the following language in bold-face type on its first textual page:

> **"NEITHER DAPPER DOUGHNUT FRANCHISE, LLC NOR ANY AFFILIATE IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, AND NEITHER DAPPER DOUGHNUT FRANCHISE, LLC NOR ANY AFFILIATE ASSUMES ANY RESPONSIBILITY AS TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION GIVEN, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO THAT CORPORATION. NEITHER DAPPER DOUGHNUT FRANCHISE, LLC NOR ANY AFFILIATE ENDORSES OR MAKES ANY RECOMMENDATION AS TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."**

Area Developer agrees to indemnify, defend, and hold harmless Franchisor and Franchisor's affiliates, successors, and assigns, and their respective partners, shareholders, members, managers officers, directors, employees, and agents, from all claims, demands, liabilities, and from all costs and expenses (including reasonable attorneys' fees) incurred in the defense of any claims, demands or liabilities, arising from the offer or sale of the securities, whether asserted by a purchaser of any securities or by a governmental agency. Franchisor will have the right, but not the obligation, at the expense of Area Developer, to defend any claim or demand and/or to participate in the defense of any action to which it is named as a party.

15. DEFAULT AND TERMINATION

15.1 Automatic Termination. Except as may be prohibited by federal bankruptcy law or applicable state law, Area Developer will be deemed to be in default under this Agreement, and the Area Grant will automatically terminate without notice to Area Developer, if Area Developer makes a general assignment for the benefit of creditors, files a voluntary bankruptcy petition, suffers the filing of an involuntary bankruptcy petition which is not dismissed within 60 days after filing, is adjudicated a bankrupt, or suffers temporary or permanent court-appointed receivership of substantially all of its property; if suit to foreclose any lien or mortgage against all or part of Area Developer's business is instituted and not dismissed within 30 days; or if all or part of Area Developer's business is sold after levy by any sheriff, marshal or constable.

15.2 Termination On Notice. Except as may be prohibited by federal bankruptcy law or applicable state law, Area Developer will be in default and Franchisor may, in its sole and absolute right, terminate the Area Grant, without giving Area Developer any opportunity to cure the default, effective immediately on giving written notice of termination to Area Developer, if:

(a) Area Developer is insolvent (is unable to pay its debts as they come due or has debts that are more than its assets) and not otherwise subject to automatic termination under Section 15.1;

(b) Area Developer (or a principal officer, shareholder, partner or member of Area Developer, if Area Developer is a legal entity) is convicted of a felony, a crime involving consumer fraud, or any other crime that is reasonably likely, in the sole and absolute judgment of Franchisor, to have an adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or Franchisor's interest in the System or the Marks;

(c) Area Developer (or a principal officer, shareholder, partner or member of Area Developer, if Area Developer is a legal entity) participates in an activity, such as an unfair trade practice or another improper business or personal activity, that is having, or that has had within the past 60 days, in Franchisor's sole and absolute judgment, a significant adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or Franchisor's interest in the System or the Marks;

(d) Area Developer has repeatedly failed to make timely payments of any amounts owed to Franchisor, or has repeatedly committed defaults of this Agreement, within 12 months of any prior default for which Franchisor has given Area Developer written notice;

(e) Area Developer knowingly makes a material false or incomplete statement, including the underpayment or underreporting by 5% or more for any 3-month period, of any amount owed to Franchisor or any affiliate or subsidiary of Franchisor, in any report submitted to Franchisor;

(f) Franchisor discovers that Area Developer knowingly made a material false or incomplete statement to Franchisor to obtain the Area Grant;

(g) Area Developer or any other person or entity purportedly transfers any interest contrary to Article 14;

(h) Area Developer improperly discloses any information learned or received under this Agreement and designated as "Confidential", contrary to Article 11;

(i) An approved transfer is not effected following death, permanent incapacity or dissolution as required by Section 14.6; or

(j) Area Developer suffers any federal, state or local tax lien or levy or suit to enforce the same, brought against Area Developer or Area Developer's property.

(k) Any franchise for a restaurant granted to Area Developer (or any affiliate of Area Developer) by Franchisor (whether or not granted under this Agreement) is terminated for any reason.

15.3 Termination After Notice and Opportunity to Cure. Area Developer will have 30 days, or any lesser period specified below, or any greater period permitted by Franchisor or required by law, to cure any default for which Franchisor has given written notice of termination to Area Developer under this Section 15.3 and to provide Franchisor with evidence of the cure. If a default is not cured within that period, the Area Grant will terminate without the need for further notice to Area Developer, effective immediately on the expiration of the cure period. Franchisor may give written notice of termination under this Section 15.3 for any failure by Area Developer to comply with any term of this Agreement. Defaults may include, for example, if:

(a) Area Developer fails, refuses or neglects to pay Franchisor or any affiliated company any sum owing when due under this Agreement or any other agreement, or to submit to Franchisor any required information when due under this Agreement, and does not cure such default within 10 days after notice from Franchisor (or such other cure period specified in another agreement, unless no cure period is specified, in which case, the 10-day cure period will apply);

(b) Area Developer fails, refuses or neglects to obtain Franchisor's prior written acceptance, approval or consent as required by this Agreement;

(c) Area Developer misuses or makes any unauthorized use of the System or the Marks, or otherwise materially impairs the goodwill associated with Franchisor's rights in the System or the Marks;

(d) Area Developer or its Manager fails to comply with the requirement of personal attention under Section 4.1;

(e) Area Developer fails to maintain books and records in a manner which permits an accurate determination of amounts owing to Franchisor or its affiliates;

(f) Area Developer fails, refuses or neglects to pay any third party, including any major supplier or any governmental taxing or licensing authority, any amount owing when due, or to satisfy any other material obligation under this Agreement; or

(g) Area Developer fails to comply with the Development Schedule.

Franchisor disclaims any right under this Agreement to terminate the Area Grant based on any decision or action by Area Developer regarding recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing its personnel.

15.4 Termination With Cause by Area Developer. Area Developer may terminate the Area Grant with cause, if Franchisor has materially defaulted in the performance of any material obligation under this Agreement, and if:

(a) Area Developer has given Franchisor written notice of termination; and

(b) Franchisor has failed to cure a noticed default within 60 days after the notice is given; but if Franchisor will be delayed, hindered in or prevented from the performance of any act required by the notice because of strike, labor trouble, inability to procure materials, restrictive governmental law or regulation, riot, insurrection, war or act of war, default of another party, or other reason beyond its control, then performance of the act will be excused for the period of delay, and the period of performance of the act will be extended for a period equivalent to the period of the delay.

15.5 In lieu of terminating the Area Grant under this Article 15, Franchisor may, in its sole and absolute right, either or both of the following:

(a) Terminate any Area protection granted to Area Developer; or

(b) Reduce the size of the Area granted to Area Developer.

15.6 Any franchise agreement issued by Franchisor to Area Developer before any action by Franchisor under this Article 15 will not be affected by the action and will remain in effect until it expires or is terminated according to its terms.

15.7 For purposes of this Agreement, any franchise or area grant granted by Franchisor to Area Developer or any legal entity in which Area Developer, or any stockholder, partner, or member of Area Developer, has any direct or indirect beneficial interest, will be deemed a franchise or area grant granted by Franchisor to Area Developer.

16. OBLIGATIONS ON REPURCHASE, EXPIRATION OR TERMINATION

16.1 On repurchase, expiration or termination of the Area Grant, in addition to meeting its other continuing obligations under this Agreement:

(a) Area Developer immediately and permanently will discontinue use of any materials or designations (including the Marks) indicating or tending to indicate that Area Developer is in any way a DD area developer;

(b) Area Developer immediately and permanently will discontinue use of the System and any information received under this Agreement and designated as "Confidential";

(c) Area Developer promptly will return to Franchisor or its designee, or, if directed by Franchisor, destroy, all manuals, bulletins, instruction sheets, forms, devices and other materials, and all copies of the same, received by Area Developer under this Agreement; and

(d) Area Developer promptly will take any action necessary to cancel any assumed name or equivalent registration that contains the mark DAPPER DOUGHNUT or any other Mark, and submit to Franchisor proof of compliance with this obligation within 30 days after repurchase, termination or expiration.

16.2 On repurchase, expiration or termination of the Area Grant, Area Developer and Franchisor will make a prompt and final accounting. Any amounts owed under this

Agreement, any amounts related to Area Developer's business owed to third parties, and any other amounts related to Area Developer's business owed for judgments or otherwise, promptly will be paid by the owing party.

16.3 Area Developer will be relieved of its obligations under this Article 16 only to the extent necessary to permit Area Developer to perform its obligations as to any franchises which have not expired or been repurchased or terminated.

17. ENTIRE AGREEMENT; EXECUTION DATE; MODIFICATION

17.1 This Agreement and the attachments are the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Area Developer. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made to Area Developer in Franchisor Franchise Disclosure Document (including its exhibits and any amendments) that Franchisor furnished to Area Developer. The terms of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns. The execution date of this Agreement is the date it is countersigned by Franchisor.

17.2 Except as otherwise specified in this Agreement, it may not be modified except in a written agreement of at least equal formality signed by the parties.

18. INTERPRETATION

18.1 The caption headings of this Agreement are for convenience only and should in no way affect the manner in which any term of this Agreement is interpreted.

18.2 Whenever the context requires, the singular includes the plural, the plural includes the singular, the whole includes any part, and any gender includes all other genders.

18.3 The following words have the following meanings in this Agreement and any attachments: "including" means "including but not limited to"; and "repeatedly" means "at least 3 times".

18.4 Whenever this Agreement gives Franchisor the right to perform an act in the future, that act may be performed "from time to time," when Franchisor chooses, in its sole and absolute right, unless stated otherwise in this Agreement.

18.5 If two or more parties sign this Agreement for Area Developer or as guarantors for Area Developer, their liability is joint and several.

18.6 This Agreement is governed by the laws of North Carolina; but if any term of this Agreement is not enforceable under the laws of North Carolina, that term is governed by the laws of the state in which the largest portion of Area Developer's Area is located.

19. PARTIAL INVALIDITY

19.1 If any Section of this Agreement is determined to be wholly invalid, that determination will not be deemed to affect the validity of any other Section. The parties agree that the remaining Sections will be deemed to be in full force and effect as if they had been executed by the parties after removal of the invalid Section. If any Section is determined to be partially invalid, the remainder of that Section will continue to be enforceable if in accordance with the intent of the parties.

19.2 If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of the Area Grant than is required by this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any mandatory standard or specification in our manuals is invalid or unenforceable, the notice and/or action required by the law or rule will be substituted for the notice or action requirements of this Agreement, or the invalid or unenforceable provision, standard or specification will be modified to the extent required to be valid and enforceable. The modifications to this Agreement and our manuals will be effective only in the jurisdiction requiring them, and this Agreement and our manuals will be enforced as originally entered into or issued in all other jurisdictions.

20. WAIVER AND ESTOPPEL

20.1 No failure of Franchisor to exercise any right reserved to it under this Agreement, or to insist on compliance by Area Developer with any term of this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, will not constitute a waiver of Franchisor's right to demand compliance with any term of this Agreement. Waiver by Franchisor of any default will not affect or impair Franchisor's rights as to any subsequent default of the same or a different nature; nor will any delay, forbearance or omission by Franchisor to exercise any right as to any default of any term of this Agreement affect, impair or be a waiver by Franchisor of any right as to any subsequent default. Franchisor's rights under this Agreement are cumulative, and Franchisor's exercise or enforcement of any right or remedy under this Agreement will not preclude Franchisor from exercising or enforcing any other right or remedy to which it is entitled.

21. ENFORCEMENT

21.1 Except as otherwise specified in this Agreement, the parties agree that any dispute between them, or any claim by one or more of them, concerning this Agreement or any related agreement, the Area Grant or the Franchised Businesses that cannot be settled through negotiation, will be resolved solely and exclusively brought before any court specified in Section 21.4.

21.2 Nothing in this Article 21 will prevent Franchisor from obtaining temporary, preliminary or permanent injunctive relief, without bond, from a court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage that can be remedied under usual equity rules.

21.3 If any action for any dispute or claim, or any action for injunctive relief is started concerning this Agreement or any related agreement, the Area Grant or the Franchised Businesses, the party which substantially prevails in that action will be entitled to a judgment against the other party for the costs of the action, including reasonable attorneys' fees, reasonable expenses of litigation, and court costs.

21.4 Area Developer and Franchisor each waives, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agrees that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it. Area Developer and Franchisor each irrevocably waives trial by jury in any action, whether at law or equity, brought by either of them. Area Developer and Franchisor each also agrees that any action brought by either of them relating to this Agreement or any related agreement, the Area Grant or the Franchised Businesses will be brought in a state or federal court of general jurisdiction in the county or city in which the home office of Franchisor is located at the time. Area Developer irrevocably submits to the jurisdiction of these courts and waives any objections it may have to the venue of these courts.

22. NOTICES

22.1 Any notice required to be given under this Agreement will be deemed to be given when delivered: by certified mail; by receipted courier or delivery service; by email; or personally. If delivery has not occurred after at least two of these methods have been used, any notice required to be given under this Agreement will be deemed to be given 3 days after being posted by first-class mail, postage prepaid.

22.2 Notices to Franchisor will be sent to the address of Franchisor as stated in this Agreement or to any other address Franchisor may specify to Area Developer in writing. Notices to Area Developer will be sent to the address of Area Developer as stated in this Agreement or any other address Area Developer may specify to Franchisor in writing.

23. ACCEPTANCES, APPROVALS AND CONSENTS

23.1 Acceptances, approvals and consents required by this Agreement will not be unreasonably withheld or delayed.

23.2 Whenever this Agreement requires the prior acceptance, approval or consent of Franchisor, Area Developer will make a timely written request to Franchisor for the acceptance, approval or consent, which will be obtained in writing.

23.3 Franchisor assumes no liability or obligation to Area Developer by providing any acceptance, approval, consent or recommendation to Area Developer, or by delaying action on or denying any request for an acceptance, approval or consent.

24. ACKNOWLEDGMENTS BY AREA DEVELOPER

24.1 Area Developer acknowledges that:

(a) **It has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves significant risks, making the success of the business largely dependent on the abilities and attention of Area Developer. Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received or relied on, any representation, warranty or guarantee, expressed or implied, as to the potential sales, profits or success of Area Developer's business or the Franchised Businesses, except any financial performance representations contained in Item 19 of Franchisor's Franchise Disclosure Document.**

(b) **It has represented to us that neither it, its affiliated entities, nor any of its or their respective owners have been designated as: (i) suspected terrorists as set forth on the list of Specially Designated Nationals as promulgated by the Office for Asset**

Control under the U.S. Department of Treasury; or (ii) denied or unverified persons as set forth on the Denied Persons List and Unverified Persons list as promulgated by the Bureau of Industry and Standards under the U.S. Department of Commerce.

(c) **In entering into this Agreement, it has not relied on any representation by Franchisor or any officer, director, shareholder, employee, agent or broker of Franchisor, concerning Area Developer's business or Franchised Businesses which are contrary to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the disclosure document provided to Area Developer by Franchisor.**

(d) **It (and each shareholder, member or partner if Area Developer is a legal entity) has read and understood this Agreement and all attachments; Franchisor has fully and adequately explained the terms of each to its satisfaction; and Franchisor has accorded it ample time and opportunity to consult, and it has consulted, with existing area developers and franchisees, and with financial, legal and other advisors of its own choosing, about the potential benefits and risks of establishing and operating Franchised Businesses under this Agreement.**

(e) **It acknowledges that complete and detailed uniformity among DD area developers under varying conditions may be inadvisable, impractical or impossible, and accordingly agrees that Franchisor, in its sole and absolute right, may modify or vary aspects of the System as to any area developer or group of area developers based on, for example, local sales potential, demographics, competition, business practices or other conditions. It further agrees that Franchisor will have no obligation to disclose or offer the same or similar variances to Area Developer. It is aware that other DD area developers may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those area developers may differ materially in certain circumstances.**

(f) **It has received a disclosure document, including Franchisor's standard area development agreement and all attachments at least fourteen (14) calendar days before the execution of this Agreement or making any payment to Franchisor.**

(g) **It has received a substantially complete version of this Agreement and all attachments at least seven (7) calendar days before signing this Agreement, if the terms of this Agreement are materially different from the terms in our standard area development agreement, and if those materially different terms did not arise out of negotiations initiated at your request. If the terms of this Agreement are materially different from the terms of our standard area development agreement, Franchisor has informed it of the differences between this Agreement and Franchisor's standard area development agreement at least seven (7) calendar days before it signed this Agreement.**

(h) **It has made no payment to Franchisor before the execution of this Agreement.**

(i) **It is aware and fully understands that it has no right to cure some defaults under this Agreement and that Franchisor's right to terminate under certain conditions could render valueless Area Developer's substantial investment of money and time and Area Developer's substantial good will.**

Each of the undersigned agrees to the terms of this Agreement.

AREA DEVELOPER

By: ____
Printed Name: ______________________________
Title: ______________________________________
Date: ______________________________________

FRANCHISOR:

DAPPER DOUGHNUT FRANCHISE, LLC

By: ____
Printed Name: ______________________________
Title: ______________________________________
Date: ______________________________________

Attachment 1

AREA ADDENDUM

Attachment 2

DEVELOPMENT ADDENDUM

Unit Number	Time to Open	Cumulative Units

Attachment 3

LEGAL ENTITY INFORMATION SHEET

Legal Entity Name/Type: ____

State/Date of Formation: ____

Shareholders/Partners/Members:

______________ % Interest	______________ Class/General or Limited Partner	______________ Printed Name
______________ % Interest	______________ Class/General or Limited Partner	______________ Printed Name
______________ % Interest	______________ Class/General or Limited Partner	______________ Printed Name
______________ % Interest	______________ Class/General or Limited Partner	______________ Printed Name
______________ % Interest	______________ Class/General or Limited Partner	______________ Printed Name

Documents:	**Not Required**	**Provided to Us**	**To Be Provided to Us Within 30 Days**
Certificate and Articles of Incorporation	☐	☐	☐
Certificate and Agreement of Partnership	☐	☐	☐
Certificate and Agreement of Membership	☐	☐	☐
By-Laws	☐	☐	☐
Resolution Authorizing Franchise	☐	☐	☐
Agreement	☐	☐	☐
Other: ____	☐	☐	☐

Conditions:

The legal entity’s activities must be confined exclusively to operating the Business.

_____________________________________ (or another person with our written consent) must act as the legal entity’s principal operating officer, partner or member.

Each shareholder, partner or member who has or have more than a 5% interest must sign the Guaranty Agreement (Attachment 1).

The legal entity must maintain stop transfer instructions against transfer on its records of any stock certificate or certificate of interest contrary to the terms of the area development agreement.

Each stock certificate of the corporation or certificate of interest of the partnership or membership must include the statement specified in the area development agreement.

The legal entity must maintain a current list of all shareholders, partners or members and other beneficial owners, and must furnish the list to us on request.

Attachment 4

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the execution by DAPPER DOUGHNUT FRANCHISE, LLC ("Franchisor") of the Area Development Agreement between Franchisor and ____ ("Area Developer") executed on ____ (the "Agreement") each undersigned personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Area Grant and thereafter as provided in the Agreement, that Area Developer will punctually pay or perform each obligation in the Agreement, and (2) agrees to be personally bound by, and personally liable for the default of, each term of the Agreement. Each of the undersigned waives:

(1) acceptance and notice of acceptance by Franchisor of these undertakings;

(2) notice of demand for payment of any indebtedness or non-performance of any obligation guaranteed;

(3) protest and notice of default to any party as to any indebtedness or non-performance of any obligation guaranteed;

(4) any right he or she may have to require that an action be brought against Area Developer or any other person as a condition of liability;

(5) any other notices and legal or equitable defenses to which he or she may be entitled; and

(6) any modification, waiver or changes to the franchise agreement to which this guaranty is attached, or to any attachments.

Each of the undersigned agrees that:

(1) his or her direct and immediate liability under this guaranty is joint and several;

(2) he or she will render any payment or performance required under the Agreement on demand if Area Developer fails or refuses to do so when due, or within any applicable cure period;

(3) his or her liability will not be contingent or conditioned on pursuit by Franchisor of any remedies against Area Developer or any other person;

(4) his or her liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Area Developer or any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claim, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable for as long as any obligation in the Agreement remains in effect;

(5) in a legal action for breach of this guaranty or to enforce the terms of this guaranty, whether for damages, injunctive relief, the return of property or any other legal or equitable remedy, he or she will pay Franchisor's reasonable attorney's fees, court costs and reasonable out-of-pocket expenses related to the action if Franchisor substantially prevails in the action;

(6) he or she waives, and assigns to Franchisor, all exemptions which he or she may have under any law as against any obligation in this guaranty; and

(7) any action brought by him or her or by Franchisor relating to this guaranty will be brought in a state or federal court of general jurisdiction in the county or city in which the home office of Franchisor is located at the time, and he or she irrevocably submits to the jurisdiction of these courts and waives any objections he or she may have to the venue of these courts.

Each of the undersigned affixes his or her signature to this guaranty as of the same date as the date of execution of the Agreement.

____
GUARANTOR

Name:___________________________________
Address:_________________________________
____

____
GUARANTOR

Name:___________________________________
Address:_________________________________
____

<u>Attachment 5</u>

STATE RIDERS TO AREA DEVELOPMENT AGREEMENT

**RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ______________________________________ a ____________________________________ whose principal business address is _________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Area Development Agreement that has been signed at the same time as the signing of this Rider (the "**Area Development Agreement**"). This Rider is part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement and the Area Development Agreement was made in the State of Illinois and the franchised business will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **Governing Law**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

However, Illinois law will apply to claims arising under the Illinois Franchise Disclosure Act.

3. **Consent to Jurisdiction**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

However, subject to the parties' arbitration obligations, the parties submit to the jurisdiction and venue of the state and federal courts of competent jurisdiction in Illinois for claims arising under the Illinois Franchise Disclosure Act.

4. **Waiver of Jury Trial**. The following language is added to the end of Section 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

However, nothing in this Section shall shorten any period within which Franchisee may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

6. **Waivers Void**. The following language is added as a new Section 32.7 of the Franchise Agreement and Section 20.1 of the Area Development Agreement:

Nothing in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

7. **Franchise Questionnaires and Acknowledgments**. 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.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: _______________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ____ a ______________________________________ whose principal business address is ___________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Area Development Agreement that has been signed at the same time as the signing of this Rider (the "**Area Development Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) you are a resident of the State ofMaryland, and/or (b) the franchised business that you will operate under the Franchise Agreement and the Area Development Agreement will be located in Maryland.

2. **Releases**. The following language is added to the end of Section 25.2(b)(iv), of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Insolvency**. The following language is added to the end of Section 26.2 of the Franchise Agreement and Section 15.2 of the Area Development Agreement:

; termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.

4. **Governing Law**. The following language is added to the end of Sections 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, subject to the parties' arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **Franchise Questionnaires and Acknowledgments**. 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: _______________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: ___________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: ___________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ______________________________________ a ______________________________________ whose principal business address is __________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Area Development Agreement that has been signed at the same time as the signing of this Rider (the "**Area Development Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) the franchised business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement and the Area Development Agreement occurred in Minnesota.

2. **Releases.** The following language is added to the end of Section 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

> ; however, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **Infringement**. The following language is added to the end of Section 24.1 of the Franchise Agreement:

> To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

4. **Renewal and Termination**. The following is added to the end of Sections 3.2, of the Franchise Agreement and Sections 15 and 16 of the Area Development Agreement:

> However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **Governing Law**. The following is added to the end of Sections 32.4 of the Franchise Agreement and Section 21.4 of the Area Development Agreement:

However, nothing shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **Consent to Jurisdiction**. The following is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Section 17.G shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **Limitations of Claims**. The following is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

However, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

8. **Franchise Questionnaires and Acknowledgments**. 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.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**," "**our**," or "**Franchisor**"), and ______________________________________ a ______________________________________ whose principal business address is __________________________ ("**you**," "**your**," or "**Franchisee**").

1. **Background**. We and you are parties to that certain Area Development Agreement that has been signed concurrently with the signing of this Rider (the "**Area Development Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement and the Area Development Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the franchised business in New York.

2. **Releases**. The following language is added to the end of Section 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

> , provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer by Us**. The following language is added to the end of Section 25.1 of the Franchise Agreement:

> However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **Termination by You**. The following language is added to the end of Section 27 of the Franchise Agreement and Section 16 of the Area Development Agreement:

> You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **Governing Law and Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied

7. **Application of Rider**. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

8. **Franchise Questionnaires and Acknowledgments**. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: _______________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**" or "**our**"), and ____ a ______________ ______________________ whose principal business address is __________________________ ("**you**" or "**your**").

1. **Background**. We and you are parties to that certain Area Development Agreement that has been signed concurrently with the signing of this Rider (the "**Area Development Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the franchised business will be located in North Dakota, and/or (b) the offer or sale of the franchise for the franchised business that you will operate under the Franchise Agreement and the Area Development Agreement was made in the State of North Dakota.

2. **Releases**. The following language is added t to the end of 25.2(b)(iv) of the Franchise Agreement and to the end of Section 14.2(b)(iv) of the Area Development Agreement:

   Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **Covenant Not to Compete**. The following language is added to the end of Section 21 of the Franchise Agreement and Section 11.2 of the Area Development Agreement:

   Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. **Arbitration**. The following language is added to the end of Section 29.6 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   However, to the extent required by the North Dakota Franchise Investment Law (unless preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

5. **Governing Law**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

   Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

6. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, that to the extent required by applicable law, subject to your arbitration obligation, you may bring an action in North Dakota.

7. **Limitation of Claims**. The following language is added to the end of Section 32.5 of the Franchise Agreement and Section 14.9 of the Area Development Agreement:

The time limitations set forth in this Section might be modified by the North Dakota Franchise Investment Law.

8. **Franchise Questionnaires and Acknowledgments**. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND

This Rider (the "**Rider**") is made and entered into as of the Effective Date as stated in the Area Development Agreement (defined below), by and between DAPPER DOUGHNUT FRANCHISE, LLC, a North Carolina limited liability company with its principal business address at 6135 Park South Drive, Suite 510, Charlotte, NC 28210 ("**we**," "**us**" or "**our**"), and ____ whose principal place of business is ____________________________________ ("**you**" or "**your**").

1. **Background**. We and you are parties to that certain Area Development Agreement effective as of _____________________, 201___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement and the Area Development Agreement. This Rider is being signed because (a) you are a resident of Rhode Island and the franchised business that you will operate under the Franchise Agreement and the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **Governing Law**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. **Consent to Jurisdiction**. The following language is added to the end of Section 32 of the Franchise Agreement and Section 21 of the Area Development Agreement:

However, subject to your arbitration obligation, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

DAPPER DOUGHNUT FRANCHISE, LLC,
A North Carolina limited liability company

By: ___________________________________

DATED: ______________________________

FRANCHISEE
(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ________________________________
[Signature of person signing on behalf of the entity]

Title: ______________________________

DATED: ___________________________

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

____
[Signature of individual franchisee]

Print Name: ________________________

DATED: __________________________

**RIDER TO THE DAPPER DOUGHNUT FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON**

(See Attachment 7 to the Franchise Agreement)

EXHIBIT D

FRANCHISE COMPLIANCE QUESTIONNAIRE

FRANCHISE COMPLIANCE QUESTIONNAIRE

Dapper Doughnut Franchise, LLC ("Franchisor") and you are preparing to enter into a franchise agreement for the establishment and operation of a franchised business under the trade name DAPPER DOUGHNUT ("DD"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please understand that your responses to these questions are important to us and that we will rely on them. Please review each of the following questions and statements carefully, and provide an honest and complete response to each. By signing this Questionnaire, you are representing that you have responded truthfully to the following questions.

1. I had my first face-to-face meeting with a DD representative on _______________________.

2. I received and personally reviewed the DD Franchise Disclosure Document ("disclosure document") that was provided to me.

   Yes ______ No ______

3. Did you sign a receipt for the disclosure document indicating the date you received it?

   Yes ______ No ______

4. Have you received and personally reviewed the franchise agreement, any area development agreement, and each addendum and related agreement attached to either of them?

   Yes ______ No ______

5. Have you entered into any binding agreement with Franchisor for the purchase of the franchise or any area development rights before today?

   Yes ______ No ______

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.

(Signatures on following page)

I certify that my answers to the foregoing questions are true, correct and complete.

FRANCHISEE

____

Name:____________________________________

Date:_____________________________________

FRANCHISEE

____

Name:____________________________________

Date:_____________________________________

<u>EXHIBIT E</u>

MANAGER/SUPERVISOR CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

MANAGER/SUPERVISOR CONFIDENTIALITY
AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is entered into by ____ ____________ ("we," "us," or "our"), a franchisee of Dapper Doughnut Franchise, LLC ("*DDF*"), which does business under the trade name DAPPER DOUGHNUT ("DD"), and ______________ ____________________________________ ("you," "your" or "yourself").

RECITALS

A. We desire to engage you; and

B. You desire to be engaged or employed by us, in connection with our DD business.

In consideration of the recitals above and the terms below, the parties agree:

1. Covenants Not to Disclose; Covenants Not to Compete. You agree that certain methods of doing business and other elements comprising the DD system are distinctive and have been developed by *DDF* and us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the DD system; and that you recognize your obligation to promote and develop our DD business. You accordingly agree as follows:

(a) Except as required in duties performed for us, you will never, either during or after the term or engagement or employment, either directly or indirectly, use, or disseminate or disclose to any person or entity, any trade secrets or confidential information, including customer names, other customer information and business methods, of *DDF* or us, and will always seek to preserve the confidentiality of those trade secrets and confidential information.

(b) During your engagement or employment, you will not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, divert or attempt to divert any business or customer of ours to any competitor or other person by direct or indirect inducement or otherwise, but this Section will not prevent you from referring customers in good faith to other businesses, including competitors' businesses, that may be able to provide those customers with products or services not available from our business.

(c) During your engagement or employment and for an uninterrupted period of 1 year after termination of your engagement or employment, regardless of the cause of termination, you will not, without the written consent of us and *DDF*, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, engage or seek to engage as an independent contractor or employ or seek to employ any person who, within the preceding 6 months, has been an independent contractor or employee of *DDF*, us or any other DD franchisee.

(d) During your engagement or employment, you will not, without the written consent of us and *DDF*, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business other than us located in the United States that, offers or that franchises or licenses others to offer, products or services that are the same as or substantially similar to products and services offered by us or *DDF*.

(e) For 1 year after termination of his or her engagement or employment, regardless of the cause of termination, you will not, without the written consent of us and *DDF*, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business that offers, or that franchises or licenses others to offer, products or services that are the same as or substantially similar to the products or services that were or could have been, or were reasonably contemplated to be, offered by us or *DDF* when you were engaged or employed, and that operates: (1) within our Territory, or (2) within the Territory of any other franchisee's business operating or in planning at the time of termination.

2. You agree that we may, if we require in our sole discretion, reduce the scope of any term or subpart of any term in this Agreement without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, that will be fully enforceable notwithstanding any other term or subpart of this Agreement.

3. Covenants As Independent, and As Conditions Precedent to Engagement or Employment. Your covenants in Section 1 are independent of any other terms of this Agreement, and are conditions precedent to engagement or employment. Any claim or cause of action against us or DDF, whether predicated on this Agreement or otherwise, will not be a defense to the enforcement by us or DDF of the covenants in Section 1.

4. Covenants Concerning Company Property. You agree that all our records, including records of our customers and all other records relating in any manner to our DD business, whether prepared by you or otherwise coming into your possession, are the exclusive property of us or of *DDF*. Additionally, you agree that all files, records, documents, drawings, specifications and similar items for our DD business, including all copies of those items, whether prepared by you or otherwise coming into your possession, will not be removed by you from our premises without our written consent. Any records not at our premises will immediately be returned to us by you on termination of your engagement or employment, regardless of the cause of termination.

5. Severability. If a part of a covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, you agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. If an entire covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, the remaining covenants in this Agreement will continue in effect.

6. Injunctive Relief. We or *DDF*, or both, in addition to other legal and equitable rights, will be entitled to temporary, preliminary or permanent injunctive relief, without bond, restraining your actual or threatened violation of any covenant in this Agreement.

7. Attorneys' Fees. In a legal action for damages, injunctive relief, the return of property or any other legal or equitable remedy, you agree to pay our or *DDF*'s reasonable attorneys' fees, court costs and reasonable out-of-pocket expenses for the action.

8. Governing Law This Agreement will be governed by the laws of the state in which our principal business office is located on the date of signing of this Agreement.

9. Binding Effect. This Agreement will be binding on the parties, and their heirs, executors, administrators, successors and assigns.

10. Modification. This Agreement may not be modified except in written agreement of at least equal formality signed by the parties.

The undersigned agree to the terms of this Agreement.

____
INDEPENDENT CONTRACTOR OR EMPLOYEE

____

Date: ____

COMPANY ____________________________________

Name: ____

Title: ____

Date: ____

(Note: To be signed by each Manager, each management independent contractor or employee, and each person from Company attending DD initial training.)

EXHIBIT F

SAMPLE GENERAL RELEASE

GENERAL RELEASE

This General Release is made and executed by _____________, individually ("you"), as of _________________ ("Effective Date").

WHEREAS, Dapper Doughnut Franchise, LLC, a North Carolina limited liability company ("we") and you entered into a franchise agreement dated _____________________________, and **DESCRIBE FACTS THAT APPLY AT TIME RELEASE IS TO BE SIGNED**.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasor"), hereby release and forever discharge us and each of our predecessors, successors, affiliates, subsidiaries, assigns, officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, demands, causes of action, suits, debts, obligations, sums of money, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, which against Releasees the Releasor ever had, now has or which Releasees hereinafter can, shall or may have, for, upon or by reason of any matter, cause or thing may whatsoever, through the Effective Date.

____
Name, individually

STATE OF __________________ §
§
COUNTY OF ________________ §

I hereby certify that before me, a notary public, personally appeared **NAME** who made oath in due form of law that s/he was executing the foregoing General Release for the purposes therein contained.

As witness, my hand and Notarial Seal on __________________, 20__.

____
Notary Public
My Commission Expires:

EXHIBIT G

FINANCIAL STATEMENTS

Unaudited Financial Statements

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

Balance Sheet

As of October 31, 2024

	Total
ASSETS	
Current Assets	
Bank Accounts	
Bill.com Money In Clearing D	1,020.53
DAPPER Chase Checking (9017) - 1	970.34
Dapper Doughnut Franchise LLC (1319) - 2	12.08
Total Bank Accounts	**2,002.95**
Accounts Receivable	
Accounts Receivable	43,290.42
Total Accounts Receivable	**43,290.42**
Other Current Assets	
Due To/From CL-SC1 LLC	18,075.33
Due To/From Gramcor	37,166.62
Total Other Current Assets	**55,241.95**
Total Current Assets	**100,535.32**
Fixed Assets	
Accumulated Depreciation	-6,218.00
Computer Equipment	8,484.05
Franchise License Agreement, accumulated amortization	-999.66
Kitchen Equipment	6,410.00
Leasehold Improvements	7,500.00
Total Fixed Assets	**15,176.39**
Other Assets	
Franchise License Agreement	41,041.66
Total Other Assets	**41,041.66**
TOTAL ASSETS	**$156,753.37**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	52,394.84
Total Accounts Payable	**52,394.84**
Credit Cards	
Dapper Chase Visa (8729) - 1	49,168.23
Total Credit Cards	**49,168.23**

	Total
Other Current Liabilities	
Accrued Expenses	25,000.00
Contract Liabilities, Current	76,000.00
Due to/From Gramcor Ecomm LLC	958.25
Unearned Revenue	28,861.09
Total Other Current Liabilities	**130,819.34**
Total Current Liabilities	**232,382.41**
Long-Term Liabilities	
Contract Liabilities, net of current	134,558.00
Total Long-Term Liabilities	**134,558.00**
Total Liabilities	**366,940.41**
Equity	
Owners Contribution	-17,186.73
Retained Earnings	-229,352.12
Net Income	36,351.81
Total Equity	**-210,187.04**
TOTAL LIABILITIES AND EQUITY	**$156,753.37**

Profit and Loss

January - October, 2024

	Total
INCOME	
Brand Fund Revenue	8,528.47
Franchise Settlement Income	14,483.22
Interest Received	473.95
Royalty Revenue	121,764.76
Royalty Revenue Discount	-4,700.00
Sales	14,480.00
Total Income	**155,030.40**
COST OF GOODS SOLD	
Cost of Goods Sold	4,607.33
Total Cost of Goods Sold	**4,607.33**
GROSS PROFIT	**150,423.07**
EXPENSES	
Automobile Expense	470.95
Bank Service Charges	649.70
Brand Fund Advertising - Placement	7,045.10
Brand Fund Advertising - Production	11,789.16
Brand Fund Charges	3,550.00
Interest Paid	9,020.47
Legal And Accounting	29,778.85
Management Fee (GC)	30,000.00
Other expense	30.45
Postage & Shipping	82.15
Professional Fees	2,000.00
Research & Development	258.29
Smallwares	101.00
Technology Fees	23,732.20
Telephone & Internet	21.78
Travel	1,655.71
Uncategorized Expense	-6,035.55
Total Expenses	**114,150.26**
NET OPERATING INCOME	**36,272.81**
OTHER INCOME	
Non Taxable Income	79.00
Total Other Income	**79.00**
NET OTHER INCOME	**79.00**
NET INCOME	**$36,351.81**

DAPPER DOUGHNUT FRANCHISE, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2023

DAPPER DOUGHNUT FRANCHISE, LLC
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MUHAMMAD ZUBAIRY, CPA PC
Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

To the Member of
Dapper Doughnut Franchise, LLC, LLC

Opinion

We have audited the financial statements of Dapper Doughnut Franchise, LLC, LLC, which comprises the balance sheet as of December 31, 2023, the related statement of operations, and changes in member's equity, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dapper Doughnut Franchise, LLC, LLC as of December 31, 2023, the results of its operations and its cash flow for the for the year 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 (GAAS). 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 Dapper Doughnut Franchise, LLC, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Dapper Doughnut Franchise, LLC, 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 GAAS 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Dapper Doughnut Franchise, LLC, 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 Dapper Doughnut Franchise, LLC, 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.

Muhammad Zubairy, CPA PC
Westbury, NY
April 1, 2024

DAPPER DOUGHNUT FRANCHISE LLC
BALANCE SHEETS

ASSETS

	YEARS ENDED DECEMBER 31	
	2023	2022
Current Assets		
Cash	$ 22,448	$ 26,591
Accounts receivable	37,310	18,740
Due from related party	34,474	43,591
Short-term Investment	9,720	-
Total Current Assets	103,952	88,922
Fixed Assets, net	20,966	11,122
Franchise License, net	40,042	16,792
Total Assets	$ 164,960	$ 116,836

LIABILITIES AND MEMBER'S EQUITY

	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ 120,581	$ 57,678
Contract Liabilities	76,000	24,800
Unearned Revenue	67,252	—
Total Current Liabilities	263,833	82,478
Contract Liabilities, net of current	134,558	40,492
Member's Equity	(233,431)	(6,134)
Total Liabilities and Member's Equity	$ 164,960	$ 116,836

See notes to financial statements

DAPPER DOUGHNUT FRANCHISE LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY

	YEARS ENDED DECEMBER 31	
	2023	2022
Revenue		
Royalties, net	$ 90,442	$ 81,407
Marketing fees, net	15,621	14,114
Franchise fees	6,784	2,708
Other income	18,974	71,710
	131,821	169,939
Cost of goods sold	12,560	35,081
Gross Profit	119,261	134,858
Operating Expenses	284,366	160,422
Net Income (Loss)	(165,105)	(25,564)
Member's Equity - Beginning	(6,134)	23,638
Member's Contributions (Distributions)	(62,192)	(4,208)
Member's Equity - Ending	$ (233,431)	$ (6,134)

See notes to financial statements

DAPPER DOUGHNUT FRANCHISE LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2023	2022
Cash Flows from Operating Activities		
Net (Loss)	$ (165,105)	$ (25,564)
Depreciation and Amortization	5,440	3,060
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
(Increase) Decrease in accounts receivable	(18,570)	(16,168)
(Increase) Decrease in due from related party	9,117	(34,678)
(Increase) Decrease in short term investments	(9,720)	—
(Increase) Decrease in prepaid expenses	—	26,516
Increase (Decrease) in accounts payable & accrued expenses	62,903	40,883
Increase (Decrease) in contract liabilities	145,266	65,292
Increase (Decrease) in deposits	67,252	(10,543)
	96,583	48,798
Cash Flows from Investing Activities		
Puchase of fixed assets	(13,534)	(5,898)
Purchase of franchise license	(25,000)	(12,500)
	(38,534)	(18,398)
Cash Flows from financing Activities		
Members' contributions (distributions)	(62,192)	(4,208)
Net Increase in Cash	(4,143)	26,192
Cash - Beginning of Year	26,591	399
Cash - End of Year	$ 22,448	$ 26,591

See notes to financial statements

THE DAPPER DOUGHNUT FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

The Dapper Doughnut Franchise, LLC (the "Company") was organized in the state of North Carolina for the purpose of acquiring and conducting franchising operations. In April 2021, the Company acquired the right to sell franchises of The Dapper Doughnut and commenced operations.

The Company sells franchise rights to own and operate The Dapper Doughnut quick serve restauratns which sell hot, fresh mini-doughnuts made to order, along with a range beverage, ice cream and other related products. The Company provides marketing and other services to support the franchisees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of funds.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate Dapper Doughnut Franchise, LLC company for a specified number of years.

Concentration of Credit Risk-financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents and franchisee accounts receivable. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could vary from those estimates.

Fixed assets-Fixed assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Estimated lives of equipment ranges from 3 to 7 years. The assets are presented net of accumulated depreciation, depreciation expense for year ended December 31, 2023 and 2022 were $3,690 and $2,352 respectively.

Advertising Cost - The Company expenses all costs for advertising as incurred. Advertising costs for the years ended December 31, 2023 was $24,925.

Taxes on Income-The Company has elected to be taxed as a limited liability corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the member and is reported on the member's individual income tax return.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

4. FRANCHISE LICENSE

The Company purchased the franchise license for The Dapper Doughnut from a private company on April 9, 2021, for $5,000. The license is perpetual in nature as it does not expire or require renewal. The Company must pay a portion of initial franchise fees and sales from new franchises up to the Franchise Fee Share agreed in the purchase. The company incurred $25,000 for the year ended December 31, 2023.

5. CONTRACT LIABILITY

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2023, and 2022 was $210,558 and $65,292, respectively.

6. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through April 1, 2024, the date the financial statements were available to be issued.

DAPPER DOUGHNUT FRANCHISE, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022

DAPPER DOUGHNUT FRANCHISE, LLC
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MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
917.309.5670

INDEPENDENT AUDITOR'S REPORT

To the Member of
Dapper Doughnut Franchise, LLC, LLC

Opinion

We have audited the financial statements of Dapper Doughnut Franchise, LLC, LLC, which comprises the balance sheet as of December 31, 2022, the related statement of operations, and changes in member's equity, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dapper Doughnut Franchise, LLC, LLC as of December 31, 2022, the results of its operations and its cash flow for the for the year 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 (GAAS). 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 Dapper Doughnut Franchise, LLC, 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.

Other Matter

The financial statements for the year ended December 31, 2021, were audited by other auditors whose report dated April 1, 2023, included an unmodified opinion of those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Dapper Doughnut Franchise, LLC, 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 GAAS 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Dapper Doughnut Franchise, LLC, 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 Dapper Doughnut Franchise, LLC, 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.

Monis Siddiqui, CPA P.C.

Monis Siddiqui, CPA P.C.
Bellerose, NY
June 8, 2023

DAPPER DOUGHNUT FRANCHISE LLC
BALANCE SHEETS

ASSETS

		YEARS ENDED DECEMBER 31		
		2022		2021
Current Assets				
Cash	$	26,591	$	399
Accounts receivable		18,740		2,572
Due from related party		43,591		8,913
Prepaid Expenses		—		26,516
Total Current Assets		88,922		38,400
Fixed Assets, net		11,122		7,576
Franchise License, net		16,792		5,000
Total Assets	$	116,836	$	50,976

LIABILITIES AND MEMBER'S EQUITY

Current Liabilities				
Accounts payable and accrued expenses	$	57,678	$	16,795
Contract Liabilities		24,800		—
Deposits		—		10,543
Total Current Liabilities		82,478		27,338
Contract Liabilities, net of current		40,492		—
Member's Equity		(6,134)		23,638
Total Liabilities and Member's Equity	$	116,836	$	50,976

See notes to financial statements

DAPPER DOUGHNUT FRANCHISE LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY

	YEARS ENDED DECEMBER 31	
	2022	2021
Revenue		
Royalties, net	$ 81,407	$ 18,262
Marketing fees, net	14,114	819
Franchise fees	2,708	—
Other income	71,710	1,862
	169,939	20,943
Cost of goods sold	35,081	—
Gross Profit	134,858	20,943
Operating Expenses	160,422	63,705
Net Income (Loss)	(25,564)	(42,762)
Member's Equity - Beginning	23,638	—
Member's Contributions (Distributions)	(4,208)	66,400
Member's Equity - Ending	$ (6,134)	$ 23,638

See notes to financial statements

DAPPER DOUGHNUT FRANCHISE LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2022	2021
Cash Flows from Operating Activities		
Net (Loss)	$ (25,564)	$ (42,762)
Depreciation and Amortization	3,060	176
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
(Increase) Decrease in accounts receivable	(16,168)	(2,572)
(Increase) Decrease in due from related party	(34,678)	(8,913)
(Increase) Decrease in prepaid expenses	26,516	(26,516)
Increase (Decrease) in accounts payable & accrued expenses	40,883	16,795
Increase (Decrease) in contract liabilities	65,292	—
Increase (Decrease) in deposits	(10,543)	10,543
	48,798	(53,249)
Cash Flows from Investing Activities		
Puchase of fixed assets	(5,898)	(7,752)
Purchase of franchise license	(12,500)	(5,000)
	(18,398)	(12,752)
Cash Flows from financing Activities		
Members' contributions (distributions)	(4,208)	66,400
Net Increase in Cash	26,192	399
Cash - Beginning of Year	399	—
Cash - End of Year	$ 26,591	$ 399

See notes to financial statements

THE DAPPER DOUGHNUT FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

The Dapper Doughnut Franchise, LLC (the "Company") was organized in the state of North Carolina for the purpose of acquiring and conducting franchising operations. In April 2021, the Company acquired the right to sell franchises of The Dapper Doughnut and commenced operations.

The Company sells franchise rights to own and operate The Dapper Doughnut quick serve restauratns which sell hot, fresh mini-doughnuts made to order, along with a range beverage, ice cream and other related products. The Company provides marketing and other services to support the franchisees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of funds.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate Dapper Doughnut Franchise, LLC company for a specified number of years.

Concentration of Credit Risk-financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents and franchisee accounts receivable. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could vary from those estimates.

Fixed assets-Fixed assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Estimated lives of equipment ranges from 3 to 7 years. The assets are presented net of accumulated depreciation, depreciation expense for year ended December 31, 2022 and 2021 were $2,352 and $176, respectively.

Advertising Cost - The Company expenses all costs for advertising as incurred. Advertising costs for the years ended December 31, 2022 was $38,167.

Taxes on Income-The Company has elected to be taxed as a limited liability corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the member and is reported on the member's individual income tax return.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

4. FRANCHISE LICENSE

The Company purchased the franchise license for The Dapper Doughnut from a private company on April 9, 2021, for $5,000. The license is perpetual in nature as it does not expire or require renewal. The Company must pay a portion of initial franchise fees and sales from new franchises up to the Franchise Fee Share agreed in the purchase. The company paid $12,500 for the year ended December 31, 2022.

5. CONTRACT LIABILITY

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, was $65,292.

6. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through June 8, 2023, the date the financial statements were available to be issued.

EXHIBIT H

FRANCHISEES AND AFFILIATE-OWNED OUTLETS

EXHIBIT H

FRANCHISEES AND AFFILIATE-OWNED OUTLETS

FRANCHISEE-OWNED OUTLETS: Below is the name, address, and phone number for every Dapper Doughnut franchisee that was in operation as of December 31, 2023:

Franchisee	Location	Contact Info
Erik Marty	Food Trailer – Denver, CO-NW	720.707.2952
Bonnie D'Amico	Store – Henderson Horizon, NV	1651 W. Horizon Ridge Pkwy #100, Henderson NV, 89012 415-867-4131
Bonnie D'Amico	Food Truck – Las Vegas, NV	1651 W. Horizon Ridge Pkwy #100, Henderson NV, 89012 702.849.8098
Javier Robles	Store – El Paso, TX, The Fountains	8889 Gateway Blvd W, Suite 1900 El Paso TX, 79925 915.330.2433

Franchisees Signed But Not Open: Below is the name, city and state, and phone number for every Dapper Doughnut franchisee who had signed a franchise agreement but was not yet open as of December 31, 2023:

Franchisee	City & State	Phone Number
William & Brigitte Singleton	Tampa, Florida	813.293.4194
Ahmad Amawi	Sanford, Florida	407.497.4871
Ahmad Amawi & Ashraf Amawi	Omaha, Nebraska	407.497.4871
Mellissa & Paul Shafer	Arlington, Texas	817.808.2041
Anabele & Frank Carmona	Riverton, Utah	801.493.9779
Molika & Che Thy	Sammamish, Washington	206.619.8747

EXHIBIT I

FORMER FRANCHISEES

(FRANCHISEES WHO LEFT DD SYSTEM IN FISCAL YEAR ENDED DECEMBER 31, 2023)

TRANSFERRED

Franchisee	Location	Contact Info
Guy Adams	Denver, Colorado	(720) 735-7305
Diana and Rick Robles	El Paso, Texas	(915) 330-2433

TERMINATED

Franchisee	Location	Contact Info
Eryn and Gabriel Jackson	Ridgeland, Mississippi	(601) 951-8999
Eryn and Gabriel Jackson	Starkville, Mississippi	(662) 617-3692

NOT RENEWED (None)

REACQUIRED (None)

CEASED OPERATION FOR OTHER REASONS (None)

EXHIBIT J

STATE ADDENDA FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF DAPPER DOUGHNUT FRANCHISE, LLC

General

These states have statutes which may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, Tit. 6, Chap. 25, Section 2551 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1 – 523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.

Some states have statutes that limit our ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting our ability to restrict your activity after the franchise agreement has ended.

A provision in the franchise agreement that terminates the franchise upon your bankruptcy may not be enforceable under Title 11, United States Code.

ADDITIONAL DISCLOSURES FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF DAPPER DOUGHNUT FRANCHISE, LLC

The following are additional disclosures for the Franchise Disclosure Document of Dapper Doughnut Franchise, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

CALIFORNIA

1. Delete and replace Item 5, Paragraph 1 of the Disclosure Document:

   Initial Franchise Fee

   Payment of the initial franchise fee is deferred until after our initial obligations are complete. See Item 11 A. Before you open your business, we will provide you with items: (1)-(10)).

   If you purchase a DD franchise, the initial franchise fee depends on the DD business type you choose to open. You may be eligible for discounts off the initial franchise fee under certain conditions.

2. The following paragraph is added at the end of Item 3 of the Disclosure Document:

   Except as disclosed above, neither we nor any person identified in Item 2 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, 15 U.S.C.A. Section 78a et seq., suspending or expelling such person from membership in such association or exchange.

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

4. OUR WEBSITE, www.dapperdoughnut.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE

CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dfpi.ca.gov.

5. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of the franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

Covenant not to Compete. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

Material Modification. California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Applicable Law. The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

6. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS

1. Delete and replace the "Summary" section of Item 17(v), entitled Choice of forum, of the Franchise Agreement chart in the Disclosure Document with the following:

   Litigation must be in Illinois.

2. Delete and replace the "Summary" section of Item 17(w), entitled Choice of law, of the Franchise Agreement chart in the Disclosure Document with the following:

   Subject to federal law, Illinois law governs.

3. The following notice is added at the end of Item 17:

   YOUR RIGHTS UPON NON-RENEWAL, AND THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED, MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/19 AND 705/20.

4. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

1. Item 5, "Initial Fees," shall be amended by the addition of the following language:

   The Maryland Securities Commissioner has required that, due to our financial condition, we defer the payment of the Initial Franchise Fee for each Dapper Doughnut Business until the relevant Dapper Doughnut Business opens for business. Upon the opening of each Dapper Doughnut Business, you must pay to us the Initial Franchise Fee for that Dapper Doughnut Business.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

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

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

3. Exhibit D, "Franchisee Disclosure Questionnaire," shall be amended by the addition of the following at the end of Exhibit D:

The representations under this Franchisee Disclosure Questionnaire are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. 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.

MINNESOTA

1. The Item 6 chart row entitled "Reimbursements and penalty fees" is replaced with the following to meet the requirements of Minnesota Statute 604.113 regarding the maximum allowable amount of the fee chargeable for insufficient payments:

Reimbursements (Applies to Insufficient Funds Processing Fee Only)	$30, plus our expenses (or the maximum rate allowed by law, currently $30)	As agreed	Due if you have insufficient funds to cover a payment, or, if you pay by check, a check is returned for insufficient funds

2. The following language is added to the end of Item 13:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

3. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

4. 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.

NEW YORK

1. The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C 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 THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. 4. 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.

5. 5. 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.

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

1. The "Summary" sections of Items 17(c), entitled Requirements for franchisee to renew or extend, and 17(m), entitled Conditions for franchisor approval of transfer, of the Disclosure Document are amended by adding the following:

   However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The "Summary" sections of Item 17(i), entitled Franchisee's obligations on termination/non-renewal, of the Disclosure Document is amended by adding the following:

   The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

3. The "Summary" sections of Item 17(r), entitled Non-competition covenants during the term of the franchise, of the Disclosure Document is amended by adding the following:

   Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. The "Summary" sections of Item 17(v), entitled Choice of Forum, of the Disclosure Document is amended by adding the following:

   To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The "Summary" sections of Item 17(w), entitled Choice of law, of the Disclosure Document is amended by adding the following:

   Subject to federal law, North Dakota law governs.

6. 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.

RHODE ISLAND

1. The "Summary" sections of Item 17(v), entitled Choice of Forum, of the Disclosure Document is deleted and replaced with the following:

   Litigation generally must be where our then current principal business address is located (currently Las Vegas, Nevada), except that, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. The "Summary" sections of Item 17(w), entitled Choice of law, of the Disclosure Document is deleted and replaced with the following:

   Subject to federal law, and except as otherwise required by the Rhode Island Franchise Investment Act, the law of the state in which the majority of the Territory or the Office is located governs.

VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the "Summary" section of Item 17(h), entitled "Cause" defined – non-curable defaults, is amended by adding the following:

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. 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.

WASHINGTON

1. Initial Franchise Fee. Delete and replace Item 5, Paragraph 1 of the Disclosure Document:

    Initial Franchise Fee

    Payment of the initial franchise fee is deferred until after our initial obligations are complete. See Item 11 A. Before you open your business, we will provide you with: (1)- (10).

    If you purchase a DD franchise, the initial franchise fee depends on the DD business type you choose to open. You may be eligible for discounts off the Initial franchise fee under certain conditions.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

EXHIBIT K

Operations Manual Table of Contents

Section A: Preface .... **6 pages**

- Welcome
- Our Story
- Our Mission
- How to Use This Manual
- Confidentiality Reminder

Section B: Operating Principles .... **20 pages**

- The Franchisee/Franchisor Relationship
- Independently Owned and Operated
- Franchisor Supports
- Franchise Operational Requirements
  - Training
  - Site Selection
  - Advertising/Local Advertising/Brand Fund
  - Point of Sale System
  - Reporting
  - Insurance Requirements
  - Approved Products and Vendors
- Brand Standards for Operations

Section C: Onboarding Your Store .... **20 pages**

- Ready to Launch
- Site selection
- Obtaining The Franchisor's Approval of Your Site
- Lease Negotiations
- Completing the Onboarding of Your Location (Timeline)

Section D: Human Resources .... **27 pages**

- Your Employees
- Guest Service Standards
- Brand Standards for Appearance
- Team Member Recruitment, Hiring and Retention
- Position Responsibilities
- Your Personal Manual
- Recordkeeping for Compliance

Section E: Daily Operations .... **18 pages**

- Daily Duties
  - Opening Procedure
  - Shift Change Procedure for the Shift Leader
  - Closing Procedures
  - Workstation Procedures
- Weekly Cleaning
- Monthly Safety and Supply Audit
- Equipment Set-Up, Operations, and Maintenance
- Point of Sale Software to Manage Daily Operations

- Catering Order Process
- Food Trailer and Truck Operations
- Creating a Great Guest Experience
- Customer Service Conversation Guide
- Phone Etiquette
- Customer Service Standards LEAP Procedure
- Food Safety
- Employee Health
- Preventing Foodborne Illness Through Temperature Control ....

Section F: Marketing .... **10 pages**
- Marketing Plan
- Brand Standards
- Marketing Content Calendars
- Campaigns
- Social Media

Section G: Business Management .... **21 pages**
- Controlling Costs
  - Cost of Goods Sold
  - Managing Labor Costs
  - Scheduling
- Inventory Control
- Accounts Receivable/Accounts Payables
- Focus on Cash Flow
- Financials
- Chart of Accounts
- Daily Business Reviews
- Risk Management
- Business Continuity Plan

Section H: Handling Emergencies .... **24 pages**
- Emergency Preparedness
- Standard Guidelines

Section I: Equipment and Smallwares Lists .... **1 page**
Section J: Build Guides, Drizzle Recipe Guide .... **1 pages**

TOTAL PAGES: 148 pages

PLUS OVER 800 PAGES OF INFORMATION AND SUPPORT MATERIALS IN THE FRANCONNECT LIBRARY

EXHIBIT L

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	Not Registered
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 M

RECEIPTS

RECEIPT
(YOUR COPY)

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

If Dapper Doughnut Franchise, LLC ("we" or "us") offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that we give you this disclosure document at the 1st personal meeting.

Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Konstantinos Grammenopoulos, 6135 Park South Drive, Suite 510, Charlotte, NC 28210, 980-296-2333.

Date of Issuance: May 13, 2024

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated May 13, 2024, that includes the following Exhibits:

A	Agencies/Agents for Service of Process	G	Financial Statements
B	Franchise Agreement and Attachments	H	Franchisees and Affiliate-Owned Outlets
C	Area Development Agreement, State Riders and Attachments	I	Former Franchisees
		J	State Addenda
D	Franchise Compliance Questionnaire	K	Operations Manual Table of Contents
E	Manager/Supervisor Confidentiality and Non-Competition Agreement	L	State Effective Dates
		M	Receipts
F	Sample General Release		

Date	Signature	Printed Name
Date	Signature	Printed Name
Date	Signature	Printed Name
Date	Signature	Printed Name

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is also available in PDF format by request to Konstantinos Grammenopoulos at danny@gramcor.com

RECEIPT
(OUR COPY)

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

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		M	Receipts
F	Sample General Release		

Date	Signature	Printed Name
Date	Signature	Printed Name
Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the Receipt, date your signature, and return it to us addressed as follows: Konstantinos Grammenopoulos, 6135 Park South Drive, Suite 510, Charlotte, NC 28210. This disclosure document is also available in PDF format by request to danny@gramcor.com.