

FRANCHISE DISCLOSURE DOCUMENT

Doughnuttery Franchise, LLC
a New York limited liability company
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DOUGHNUTTERY

The franchise offered is for the right to operate a “Doughnuttery Shop” franchised business offering doughnuts, coffee and other food and beverage products and services utilizing the proprietary system and products for Doughnuttery Shops.

The total investment necessary to begin operation of a Doughnuttery Shop franchise ranges from \$175,400 to \$321,700. This amount includes up to \$30,000 that must be paid to the franchisor or its affiliate. If you sign an agreement for multi-unit development (which will require you to develop a minimum of 2 units), in addition to the \$175,400 to \$321,700 investment you must pay for your first Doughnuttery Shop, you must also pay the franchisor or its affiliate \$15,000 for each additional Doughnuttery Shop that you agree to develop.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Evan Feldman, Founder, at 425 West 15th Street, New York, NY 10011, and 212-633-4359.

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, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: ~~April 5~~ April 30, 2020 ~~19~~.

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:

<u>QUESTION</u>	<u>WHERE TO FIND INFORMATION</u>
<u>How much can I earn?</u>	<u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit J.</u>
<u>How much will I need to invest?</u>	<u>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.</u>
<u>Does the franchisor have the financial ability to provide support to my business?</u>	<u>Item 21 or Exhibit G includes financial statements. Review these statements carefully.</u>
<u>Is the franchise system stable, growing, or shrinking?</u>	<u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>
<u>Will my business be the only Doughnuttery Shop business in my area?</u>	<u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
<u>Does the franchisor have a troubled legal history?</u>	<u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>
<u>What's it like to be a Doughnuttery Shop business franchisee?</u>	<u>Item 20 or Exhibit J lists current and former franchisees. You can contact them to ask about their experiences.</u>
<u>What else should I know?</u>	<u>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.</u>

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 and Development Agreement require you to resolve disputes with us by mediation, arbitration or litigation in the city and state of New York. 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 us in the city and state of New York than in your own state.

2. Guarantee. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. Early State of Development. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

5. Purchasing Supplies. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from us, from the franchisor's affiliates, or from suppliers that the franchisor designates at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

6. Minimum Royalty Payments. You are required to make minimum royalty payments regardless of your sales levels. Failure to make the required payments will result in termination of the franchise and loss of your investment.

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.

STATE COVER PAGE

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

~~Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.~~

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

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

- ~~1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE CERTAIN DISPUTES WITH US BY MEDIATION, ARBITRATION OR LITIGATION IN THE CITY AND STATE OF NEW YORK. OUT OF STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY COST YOU MORE TO MEDIATE, ARBITRATE OR LITIGATE WITH US IN THE CITY AND STATE OF NEW YORK THAN IN YOUR OWN STATE.~~
- ~~2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE THAT NEW YORK LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.~~
- ~~3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.~~
- ~~4. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.~~
- ~~5. THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.~~

~~6. YOU MUST PURCHASE ALL OR NEARLY ALL OF THE INVENTORY OR SUPPLIES THAT ARE NECESSARY TO OPERATE YOUR BUSINESS FROM US, FROM THE FRANCHISOR'S AFFILIATES, OR FROM SUPPLIERS THAT THE FRANCHISOR DESIGNATES AT PRICES THE FRANCHISOR OR THEY SET. THESE PRICES MAY BE HIGHER THAN PRICES YOU COULD OBTAIN ELSEWHERE FOR THE SAME OR SIMILAR GOODS. THIS MAY REDUCE THE ANTICIPATED PROFIT OF YOUR FRANCHISE BUSINESS.~~

~~7. YOU ARE REQUIRED TO MAKE MINIMUM ROYALTY PAYMENTS REGARDLESS OF YOUR SALES LEVELS. FAILURE TO MAKE THE REQUIRED PAYMENTS WILL RESULT IN TERMINATION OF THE FRANCHISE AND LOSS OF YOUR INVESTMENT.~~

~~8. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.~~

~~Effective Date: See the next page for state effective dates.~~

~~DOUGHNUTTERY FRANCHISE, LLC~~
~~STATE EFFECTIVE DATES~~

~~The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:~~

<u>State</u>	<u>Effective Date</u>
California	
Hawaii	Not Effective
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	Not Effective
Rhode Island	
South Dakota	Not Effective
Virginia	
Washington	
Wisconsin	

~~In all other states, this Franchise Disclosure Document's effective date is the issuance date of April 5, 2019.~~

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE</u>
Item 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
Item 2	BUSINESS EXPERIENCE	3
Item 3	LITIGATION.....	3
Item 4	BANKRUPTCY	3
Item 5	INITIAL FEES.....	4
Item 6	OTHER FEES	5
Item 7	ESTIMATED INITIAL INVESTMENT	10
Item 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	14
Item 9	FRANCHISEE’S OBLIGATIONS	18
Item 10	FINANCING.....	20
Item 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	20
Item 12	TERRITORY	29
Item 13	TRADEMARKS	33
Item 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	34
Item 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	36
Item 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	37
Item 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	37
Item 18	PUBLIC FIGURES.....	47
Item 19	FINANCIAL PERFORMANCE REPRESENTATIONS	47
Item 20	OUTLETS AND FRANCHISEE INFORMATION.....	48
Item 21	FINANCIAL STATEMENTS	51

Item 22	CONTRACTS.....	52
Item 23	RECEIPTS	52

LIST OF EXHIBITS

Exhibit A	List of State Administrators
Exhibit B	List of State Agents for Service of Process
Exhibit C	Franchise Agreement
Exhibit D	State Addenda to Franchise Agreement
Exhibit E	Development Agreement
Exhibit F	State Addenda to Development Agreement
Exhibit G	Financial Statements
Exhibit H	Operations Manual Table of Contents
Exhibit I	Sample Form of General Release
Exhibit J	Lists of Current and Former Franchise Owners
Exhibit K	Franchise Owner Disclosure Questionnaire
Exhibit L	State Addenda to Disclosure Document

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Doughnuttery Franchise, LLC (“we,” “us,” or “our”). “You” means the individual or entity that buys the franchise. If you are a corporation, partnership, limited liability company, or other entity, your owners and your owners’ spouses must sign our “Guaranty and Assumption of Obligations,” in their individual capacities, which means that all of provisions of the Franchise Agreement (a form of which is attached as Exhibit C) also will apply to your owners and their spouses.

We are a New York limited liability company formed on August 18, 2017. Our principal business address is 425 West 15th Street, New York, New York 10011. We operate under our corporate name, “Doughnuttery” and no other name.

We have no predecessors required to be included in this Item. If we have an agent in your state for service of process, we disclose that agent in Exhibit B.

We grant franchises for shops operating under the “Doughnuttery” name and other trademarks, trade names, service marks, and commercial symbols (collectively, the “Marks”). For reference purposes in this Disclosure Document, we collectively refer to all businesses using the System (defined below) and the Marks as “Doughnuttery Shops,” and we call the Doughnuttery Shop that you will operate the “Shop.” Doughnuttery Shops offer doughnuts, coffee and other food and beverage products and services (collectively, the “Menu Items”) utilizing the System (defined below). Doughnuttery Shops also utilize specified recipes and procedures and use high quality ingredients, including all food and beverage items, ingredients, condiments and other products, services and equipment produced or manufactured using the designs and/or Marks we have developed (the “Proprietary Products”), which now comprise, or in the future may comprise, part of the System.

Doughnuttery Shops must use our business formats, methods, procedures, Proprietary Products, signage, designs, layouts, standards, specifications and Marks (the “System”), all of which we may improve, further develop or otherwise modify at any time and from time to time. If you acquire a franchise, you must operate your Shop according to the System. The Shop will be operated from a retail outlet located at the principal business address listed on Exhibit B of the Franchise Agreement (the “Premises”).

We have never conducted business in this or any other line of business or offered franchises in any other line of business. We began offering franchises for Doughnuttery Shops in December 2018. In 2019 we granted a single licensee the right to operate a number of Doughnuttery Shops within the licensee’s existing shops in a co-branded format.

Although we do not currently, we may in the future offer area representative franchises to area representative franchise owners (“Area Representatives”) for the right to, within specific territories, solicit franchise owners to own and operate Doughnuttery Shops. If we choose to in the future, we will offer franchises for area representative businesses (“Doughnuttery AR Businesses”) under a separate disclosure document and not as part of this offering. We will pay Area Representatives a portion of the Initial Franchise Fee and the Royalty for each of the Doughnuttery Shops developed and opened in the respective Area Representative's territory. Since we do not

currently offer franchises for Doughnuttery AR Businesses, there were no Area Representatives as of the end of our last fiscal year.

Our affiliate, Doughnuttery Inc., is the owner of the Marks and, on December 7, 2018, we and Doughnuttery Inc. entered into a trademark, copyright, and know-how license agreement allowing us to sublicense to our franchise owners and other licensees the right to use the Marks, System and other intellectual property worldwide.

We have no parents. We have no affiliates who currently provide products or services to franchise owners of Doughnuttery Shops and no affiliates who currently offer franchises in any lines of business. Our affiliates Doughnuttery, Inc., Doughnuttery Turnstyle, Inc, and Doughnuttery Plaza, Inc. operate Doughnuttery Shops similar to the Doughnuttery Shops that are being offered in this disclosure document. The principal business address of each affiliate is the same as ours.

Your Shop will be located in a free-standing unit, strip shopping center, Captive Site Location or other suitable venue in a downtown commercial area or in a residential area with high street visibility and consumer traffic in a specific geographic territory (the “Territory”) and will offer Menu Items to the general public throughout the year and compete with other doughnut and coffee shops and cafes. The market for your Shop’s goods generally is well-developed and competitive nationally.

We also offer multi-unit development rights to qualified franchise owners, who will have the right to develop a number of Doughnuttery Shops (a minimum of 2) within a defined geographic area (the “Development Area”) according to a mandatory development schedule (the “Development Schedule”). If we grant you a Development Area, then you will sign a Development Agreement (a form of which is attached as Exhibit E), and you or your Affiliates (defined in Item 15) will sign a separate, then-current franchise agreement for each Doughnuttery Shop developed under that Development Agreement, which may be different from the form of franchise agreement attached to this disclosure document.

You must comply with all existing regulations concerning food service, nutrition, calorie content, and other federal or state regulations that apply specifically to the restaurant industry. For example, the Environmental Protection Agency, U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies, have laws and regulations concerning the preparation of food and beverages and sanitary conditions of restaurant facilities. State and local agencies may periodically conduct inspections for compliance with these requirements.

You also must comply with existing laws, regulations, and ordinances that apply generally to all businesses, such as the Americans with Disabilities Act, federal wage and hour laws and state law equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism and anti-corruption laws (such as the Patriot Act and the Foreign Corrupt Practices Act), and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act, or “FACTA”). You should investigate these laws that may apply to the food service and beverage service industry and to all businesses in general.

Item 2

BUSINESS EXPERIENCE

Evan Feldman – Founder, Chief Executive Officer and Chief Doughnut Officer

Mr. Feldman has served as our Founder, Chief Executive Officer and Chief Doughnut Officer since our inception in August, 2017. He has also held the same positions with Doughnuttery, Inc. since its inception in October, 2012, Doughnuttery Turnstyle, Inc. since its inception in February 2009, and Doughnuttery Plaza, Inc. since its inception in September 2016.

Jason Feldman – Director of Operations, Director of Culinary Innovation and Head Chef

Mr. Feldman has served as our Director of Operations, Director of Culinary Innovation and Head Chef since our inception in August, 2017. He has also held the same positions with Doughnuttery, Inc., Doughnuttery Turnstyle, Inc., and Doughnuttery Plaza, Inc. since August, 2016. From February, 2008 to August, 2016, Mr. Feldman was a Managing Partner at Tranquility Spa in Scarsdale, New York.

Marlo Feldman – Chief People Officer and Controller

Ms. Feldman has served as our Chief People Officer and Controller since our inception in August, 2017. She has also held the same positions with Doughnuttery, Inc., Doughnuttery Turnstyle, Inc., and Doughnuttery Plaza, Inc. since June, 2016. She has also been the President and Head Therapist at Occupational Therapy Associates of New York in New York, New York since January, 2005.

Andy Bailen – Advisory Board Director

Mr. Bailen has served as one of our Advisory Board Directors since July, 2018. He has also been the Managing Director of 3Pe Consulting, in Denville, New Jersey since March, 2009. From July 2013 to July 2018, Mr. Bailen was the Executive Vice President of Global Sourcing, e-Commerce, Marketing and Product Development at Alex Brands in Fairfield, New Jersey.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item.

Item 5

INITIAL FEES

Franchise Agreement

Initial Franchise Fee

If we grant you a franchise for a Doughnuttery Shop, then when you sign the Franchise Agreement you must pay us a non-recurring initial franchise fee (the "Initial Franchise Fee") in the amount of \$30,000. The Initial Franchise Fee is fully earned by us when paid and is not refundable under any circumstances, except as provided below in this Item 5. The Initial Franchise Fee is uniform as to all franchise owners currently purchasing a franchise for a Doughnuttery Shop. If your Doughnuttery Shop is located in the territory of an Area Representative, we will pay the Area Representative a portion of the Initial Franchise Fee you pay to us.

You may be eligible to receive a refund of up to 50% of your Initial Franchise Fee if: (1) your required attendees to our initial training program described in Item 11 below cannot complete initial training to our satisfaction, we terminate your Franchise Agreement (at our option), and you sign and submit to us a release of claims in a form we prescribe; or (2) you are unable to obtain all necessary governmental approvals, licenses, permits, or other legal authorizations required to open and operate the Shop lawfully by the agreed upon opening date, we terminate your Franchise Agreement (at our option), and you sign and submit to us a release of claims in a form we prescribe.

We offer an incentive program for veterans of the United States military forces (the "Veteran Program"). For qualified veterans participating in the Veteran Program, we will reduce the amount of the Initial Franchise Fee by 10%. In order to participate in the Veteran Program, you, or if you are a corporation, partnership, limited liability company, or other entity, an owner who owns at least a 50% ownership interest in you, must be a retired or honorably discharged veteran of the United States Armed Forces or the National Guard as evidenced by your submission to us of a valid military identification, Certificate of Release or Discharge From Active Duty (DD Form 214) or other similar evidence as we reasonably require. If at any time after the Effective Date or during the 12 month period immediately following the Shop's opening, you, or if you are a corporation, partnership, limited liability company, or other entity, an owner who owns at least a 50% ownership interest in you ceases to be a retired or honorably discharged veteran of the United States Armed Forces or the National Guard, you must pay to us the remaining 10% of the Initial Franchise Fee.

Training Costs

We will provide initial training and training materials for you (or your managing owner), the shop manager we approve ("Shop Manager") and one additional attendee before your Shop begins operating at no additional charge. Additional people beyond three attendees may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional trainee, not to exceed \$500 per person. Training fees are non-refundable.

Development Agreement

If we agree to grant you development rights, then you and we will enter into a Development Agreement under which you will pay a development fee of \$30,000 for your first Doughnuttery Shop plus \$15,000 times the aggregate number of additional franchised Doughnuttery Shops which you are required to establish and operate (a minimum of 2) under the the Development Agreement (the “Development Fee”). The Development Fee is fully earned by us and not refundable, in whole or in part, upon payment to us.

The Development Fee will be applied against the Initial Franchise Fee that will be payable under the franchise agreements for each of your Doughnuttery Shops. Each Initial Franchise Fee will be reduced by the amount of the Development Fee you paid for that Doughnuttery Shop, that is, by \$30,000 for your first Doughnuttery Shop and by \$15,000 for your second and subsequent Doughnuttery Shops. The Initial Franchise Fee against which the Development Fee will be credited will be \$30,000 for each Doughnuttery Shop opened under the Development Agreement. You will pay the remaining balance (if any) of the Initial Franchise Fee for each Doughnuttery Shop to be opened under the Development Agreement on the date you sign the franchise agreement for the Doughnuttery Shop.

In 2019, we accepted reduced development fees of \$30,000 in two transactions, waiving the requirement for those developers to pay an additional \$15,000 for the second and subsequent Doughnuttery Shop required to be developed. In those same transactions, we also agreed to collect reduced Initial Franchise Fees for the developers’ second and subsequent Doughnuttery Shops ranging from \$10,000-\$15,000.

Item 6

OTHER FEES

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Continuing Service and Royalty Fee (“Royalty”)	6% of previous month’s Gross Sales each month, subject to the Minimum Royalty Fee (\$1,000 for each monthly period) ⁽²⁾	10 th day of each month	You must pay the Royalty to us following the date the Shop commences operations “Gross Sales” means all of your revenue from operating the Shop (including revenue and income from the proceeds of any business interruption insurance policies), but excluding (a) all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, and (b) reduced by the amount of any documented refunds, credits, allowances, and chargebacks the Shop in good faith gives to customers
Advertising and Development	2% of previous month’s Gross Sales	10 th day of each month ⁽²⁾	We may establish an Advertising and Development Fund (the “Fund”). Fund

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Fund Contribution (“Fund contribution”)	each month ⁽²⁾		contributions are payable in the same manner as the Royalty.
Local Advertising	1.5% of previous month’s Gross Sales each month ⁽²⁾	As incurred	You must spend this amount on local marketing activities for the Shop according to our guidelines.
Cooperative Advertising Programs	Up to 2% of Gross Sales, unless increased by vote of 67% or more of the Doughnuttery Shops operating in your defined Advertising Coverage Area ⁽³⁾	As Cooperative Advertising Program directs	No Cooperative Advertising Program yet exists for any Doughnuttery Shops as of this Disclosure Document’s issuance date. Cooperative Advertising Program spend, if and when required, will offset against local advertising requirement.
Initial Training	\$500 per trainee	As incurred	We will provide initial training and training materials for you (or your managing owner), the Shop Manager and one additional attendee before your Shop begins operating at no additional charge. Additional people beyond 3 attendees, or personnel you hire later, may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional person.
Additional Training and Assistance and On-Site Consultation Services	Our then current training fee per attendee, not to exceed \$500 per person, per week plus all of your costs and our costs (with our costs not to exceed \$500 per trainer, per day)	As incurred	We may charge you for providing (a) additional special assistance or training you need or request or that we may require during the franchise term; and (b) on-site consultation services we may provide at the Shop during the franchise term. You also must pay (if incurred by you) or reimburse us for (if incurred by us and billed to you) travel, lodging, meals and related costs.
Transfer	\$7,500	Before transfer completed	Applicable to transfers of any interest in the Franchise Agreement, any interest in you, or any interest in any of your owners. There is no transfer fee due for transferring your Franchise Agreement

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date	Remarks
			to an entity you control. You must satisfy all our conditions of transfer as provided under the Franchise Agreement in order for us to approve any transfer.
Relocation	Our costs, a fee of \$7,500, plus any applicable taxes	Within a week after we approve the new site	Applicable to relocation in the event we work with you on the site transfer (for example, by assisting in accepting the new location, reviewing lease terms, design and construction, coordination of suppliers, training of new staff and onsite ongoing support) ⁽⁴⁾
Renewal	\$10,000, plus any applicable taxes	Upon signing the Successor Franchise Agreement	You must meet certain conditions to have the option to acquire a successor franchise
Product and Service Purchases	Will vary depending on products and services purchased, but will include, at a minimum, reimbursing us, our affiliates, designated and approved vendors for all amounts incurred	When billed	You will buy products and services from us, our affiliates, designated and approved vendors whose items meet our standards and specifications, and/or other suppliers in the industry. Depending on the item or service, you may only be required to reimburse our or our affiliate's out-of-pocket costs. Prices and costs of other items and services depend on the supplier and the item/service involved. (see Item 8)
Operations Manual	Then-applicable charge (currently \$500)	Immediately upon receipt of invoice	Due only if your copy of the Operations Manual is stolen, lost or significantly damaged
Testing	A fee equal not to exceed the reasonable cost of inspection and actual cost of test	As incurred	This covers our costs and expenses for evaluating and testing new products or inspecting new suppliers you propose
Audit	Cost of inspection or audit	Upon invoice	Due if you do not give us reports, supporting records, or other required information in the required format
Interest on overdue amounts	Maximum rate allowable by applicable law or, if no maximum rate allowable by applicable law, the higher of 18% and	As agreed	Due on all overdue amounts

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date	Remarks
	4% above prime rate per month		
Insurance	Amount of unpaid premiums and related costs, non-compliance fees and late charges, plus an administrative charge of \$500 per event ⁽⁵⁾	On demand	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us
Insufficient Funds Processing Fee	\$200, plus our expenses	As agreed	Due if you have insufficient funds in your EDTA to cover a payment, or, if you pay by check, a check is returned for insufficient funds
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement
Brand Damages	All damages, costs, expenses, attorneys' and experts' fees, lost Royalties, lost Fund contributions, lost profits, loss of goodwill and damage to our Marks and reputation, lost opportunities, travel and personnel costs, expenses that we may incur in developing or finding another franchise owner to develop a new Doughnuttery Shop in the Territory, and any other lost payments or benefits we would have received for the balance of the Term after the effective date of termination ⁽⁶⁾	As incurred	Due only if we terminate the Franchise Agreement before it expires due to your default, in which case you must pay us for all damages, costs and expenses related to the early termination
Non-Compliance Charge	\$500 per day per violation	On demand	Where permitted by law, we may charge you a non-compliance charge in an amount up to \$500 per day per violation by you of any term or condition of the Franchise Agreement. The non-compliance charge is to compensate us

Column 1 Type of Fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			for our damages in dealing with non-compliance
Management Fee	\$500 per day that we (or a third party) manage the Shop (plus costs and expenses)	As agreed	Due when we (or a third party we designate) manage the Shop after your or your managing owner's death or disability or upon your default or abandonment
Indemnification	All amounts (including attorneys' fees) incurred by us or otherwise required to be paid	As incurred	Payable to indemnify us and the other Indemnified Parties (defined in the Franchise Agreement) against all claims, liabilities, costs, expenses and other damages related to your ownership and operation of your franchise
De-Identification	All amounts incurred by us	As incurred	Payable if we de-identify the Shop upon your termination, relocation, or expiration.

Explanatory Notes:

- 1/ Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. Except as noted above, all fees are uniform and nonrefundable. Other than the fees included in this table, you will not incur any additional fees under an area development agreement.
- 2/ Beginning immediately upon the date the Shop commences operations, the amount of the Royalty paid to us will be subject to a minimum royalty of \$1,000 for each monthly period (the "Minimum Royalty Fee"). Within 3 business days after the end of each monthly period, you must pay us the difference, if any, between (i) the Minimum Royalty Fee and (ii) the Royalty you actually paid us during the two immediately preceding monthly payment periods. In 2019, we agreed to waive the requirement that the Royalty be subject to the Minimum Royalty Fee under the first Franchise Agreements signed by two developers pursuant to Development Agreements; in one case for the first 6 months of the developer's first Doughnuttery Shop's operations, and in the other case for the full term of the developer's first Doughnuttery Shop's operations.

Before the Shop begins operating, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty, Fund contributions, and other amounts due under the Franchise Agreement and for your purchases from us and/or our affiliates (the "Electronic Depository Transfer Account" or "EDTA"). We will debit the EDTA for these amounts on their due dates. Funds must be available in the EDTA for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

If you do not timely report the Shop's Gross Sales and other required financial information, we may debit your EDTA for 200% of the last Royalty and Fund contribution that we debited. If the amounts we debit are less than the amounts you actually owe us, then we will debit your EDTA for the remaining balance on the day we specify. If the amounts we debit

are greater than the amounts you actually owe us, then we will credit the excess against the amounts that we otherwise would debit from your EDTA during the following month less a 2% administrative fee on the excess amount due to your failure to report.

- 3/ Members of the Cooperative Program will include Doughnuttery Shops operated by us or our affiliates that are located within the Advertising Coverage Area. Each Doughnuttery Shop operating in the Advertising Coverage Area will have one vote. No Cooperative Program yet exists for the franchise network.
- 4/ Relocations need to be approved by us in the same manner as the approval of the initial site.
- 5/ If you fail to pay the premiums for insurance required to operate your franchise, including but not limited to, general or professional liability insurance, we may obtain insurance for you and you will be required to reimburse us within 10 days of receipt of a demand for reimbursement from us, together with a \$500 administrative charge per event, and all other listed charges and fees. We will have the right to debit your account the amounts owed to us for such premiums and fees if you fail to pay us within 10 days of our request for reimbursement.
- 6/ You must pay the termination fee, plus any costs and attorneys' fees incurred by us, if you improperly attempt to close your Shop or terminate your franchise before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. We may also recover from you any damages suffered by us (such as lost future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be made
Initial Franchise Fee (1)	\$30,000	Lump Sum	Upon signing Franchise Agreement	Us
Real Estate/Rent (2)	\$3,000- \$10,000	As Agreed	As Incurred	Landlord
Lease, Utility and Security Deposits (2)	\$9,000 - \$30,000	As Agreed	As Incurred	Landlord
Design & Architectural Fees	\$7,500 - \$10,000	As agreed	As Incurred	Architect/ Designer

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Leasehold Improvements (3)	\$40,000 - \$75,000	As Agreed	As Incurred	Outside Suppliers
Furniture and Fixtures	\$2,500 - \$5,000	As Agreed	As Incurred	Outside Suppliers
Signage	\$2,500 - \$6,000	As Agreed	As Incurred	Outside Suppliers
Computer System (4)	\$4,500 - \$6,000	As Agreed	As Incurred	Outside Suppliers
Professional Fees (5)	\$3,000 - \$6,200	As Agreed	As Incurred	Lawyers, Accountants and other Advisors
Equipment (6)	\$28,750 - \$50,000	As Agreed	As Incurred	Outside Suppliers
Business License and Permits (5)	\$1,000 - \$1,500	As Agreed	As Incurred	Government Agencies
Initial Inventory (7)	\$5,000 - \$12,000	As Agreed	As Incurred	Designated and Approved Suppliers, Us
Grand Opening Advertising (8)	\$2,500 - \$5,000	Lump Sum	As Incurred	Outside Suppliers
Initial Training (9)	\$2,650 - \$10,000	As Incurred	As Incurred	Us and Third Parties
Insurance (10)	\$3,500- \$5,000	As Incurred	As Incurred	Insurance Company
Additional Funds – 3 months (11)	\$30,000 - \$60,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (12)	\$175,400 - \$321,700			

Explanatory Notes

* Except for the Initial Franchise Fee, all amounts listed in the above table are nonrefundable. These estimated initial expenses are our best estimate of the range of costs you may incur in establishing and operating your Shop. Our estimates are based on our experience and our current requirements for franchise owners of Doughnuttery Shops. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening your Shop may be greater or less than the estimates given, depending upon the location of your Shop, specific cost structure and current relevant market conditions, especially those for occupancy costs, marketing expenses and labor costs. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels and the rate of sales growth that you are able to achieve during your initial phase of business operations and thereafter.

1. We describe the Initial Franchise Fee in Item 5. If we agree to grant you development rights, then you and we will enter into a Development Agreement under which you will pay a Development Fee of \$30,000 for your first Doughnuttery Shop plus \$15,000 times the aggregate number of additional franchised Doughnuttery Shops which you are required to establish and operate under the Development Agreement (a minimum of 2). We will credit the per unit amount of the total Development Fee you paid under the Development Agreement toward the Initial Franchise Fee due under each franchise agreement you and we enter into for a Doughnuttery Shop to be opened under the Development Agreement until the total Development Fee is credited in full. In addition to the costs above for your first Doughnuttery Shop and the Development Fee, you will incur additional initial franchise fees and additional costs and expenses during the term of the Development Agreement as you open the remaining number of Doughnuttery Shops required under the Development Agreement. Those additional costs of development may increase over the term of the Area Development Agreement based on inflation and other economic factors.
2. It is your responsibility to identify a suitable Premises within the Territory, for which you must submit a site approval request package in the form that we designate and which we must approve. We estimate that the Premises should occupy approximately 150-500 square feet of space, with access to bathrooms and provisions for telecommunication equipment and potential additional storage space in support of your operation. Any storage requirement will vary and be dependent upon your location, its size, sales volume and other inventory needs that may vary. We anticipate that you will rent the Premises. It is possible, however, that you might choose to buy, rather than rent, real estate on which a building suitable for the Shop already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors, and could be considerably higher in large metropolitan areas. Doughnuttery Shops can be located in free-standing units, strip shopping centers, Captive Site Locations and other suitable venues in downtown commercial areas and in residential areas with high street visibility and consumer traffic. The figures in the table are based on our and our affiliates' experience and for "Real Estate/Rent," represent an estimate of three months' rent and, for "Lease, Utility and Security Deposits," represent an estimate of the cost of those items, in each case for a 150-500 square foot Doughnuttery Shop.

3. Leasehold improvements may include necessary construction work, landscaping and grading of the premises and parking lots, and other alterations to the proposed site to create a suitable retail space for the Shop. This estimate does not include any construction allowances that may be offered by your landlord or presume a specific delivery condition. Building and construction costs will vary depending upon the condition of the Premises, the size of the Premises and local construction costs.
4. You must purchase a Computer System (defined in Item 11) and related software that meets our specifications, which hardware and software components we detail in Item 11. The Computer System currently includes: (i) the required point-of-sale (“POS”) system (at a cost of approximately \$2,500 per POS terminal) and related hardware and software and set-up fees (at a cost of approximately \$400) from our designated vendor; (ii) a laptop computer (at a cost of approximately \$600), a router (at a cost of approximately \$315) and a printer (at a cost of approximately \$300); and (iii) Microsoft Office (at a cost of approximately \$100 per year) and QuickBooks (at a cost of approximately \$300).
5. You may be required to obtain business licenses from the local government agency to operate your Shop. We have estimated the costs of the business licenses to be, depending upon the jurisdiction, between \$1,000 and \$1,500. Any associated legal and/or accounting or set-up fees are variable depending upon state regulation and the negotiated arrangement. You may also incur legal fees, accounting fees and other professional fees in order to incorporate your business, set up a LLC, review agreements relating to the operation of the franchise, to perform background checks and personality profiles of potential employees and other professionals, and to perform all necessary tax filings and to set up a small business, including a general ledger, tax reports, payroll deposits, etc.
6. The costs for furniture and equipment vary depending on the size, configuration and condition of the Shop, and the particular type of, and location within the, commercial space in which the Shop is located.
7. You are responsible for purchasing an initial supply of Proprietary Products and other products, materials and supplies to operate the Shop from designated or approved suppliers and us or our affiliates.
8. You must conduct grand opening advertising approved by us during a grand opening period beginning 1 week before the scheduled opening of the Shop and ending 2 weeks after your Shop opens for business. During the grand opening period, you must spend a minimum of \$2,500 on grand opening advertising for your Shop.
9. We will provide initial training and training materials for you (or your managing owner), the Shop Manager and one additional attendee before your Shop begins operating at no additional charge. Additional people beyond 3 attendees may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional person, not to exceed \$500 per trainee. You are required to pay for your trainees’ transportation to and from our training site and your trainees’ lodging, food and other expenses during the time of training. We estimate that your travel expenses for initial training will be \$50 to \$750 per person and your lodging, food and other expenses will be between \$2,500 and \$7,500 for the training program. Travel

expenses, however, will be minimal if your trainees live in the New York City metropolitan area, where the training will take place.

10. You must obtain and maintain certain types and amounts of insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. The estimate contemplates insurance costs for 12 months. Your costs will vary.
11. This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include: payroll costs (but not any draw or salary for you); equipment; installations; security deposits; utility costs; incorporation fees; signage; materials; and an allocation for unforeseen incidental expenses related to facilities improvements. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. We estimate that, in general, you should expect to put additional cash into the business until you achieve sales and incur operating expenses that allow you to achieve monthly operating break-even at your Shop. We relied on our and our executives' experience in operating Doughnuttery Shops to compile these estimates.
12. You should review these estimated figures carefully with a business advisor before deciding to acquire the franchise. These amounts are only estimates and your costs could vary considerably depending on the particular circumstances for the Shop. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Shop according to our System Standards. System Standards may regulate, among other things, the types, models, and brands of fixtures, furniture, vehicles (if we allow you to provide delivery and catering services), equipment, furnishings, and signs (collectively, "Operating Assets"); Menu Items; Proprietary Products; and other products, ingredients, materials and supplies.

In the case of Proprietary Products, suppliers will be limited to us, our affiliates, and/or our designated third party suppliers, and you must buy Proprietary Products only from us, our affiliates, and/or our designated third party suppliers at the prices we and they decide to charge. We restrict your sources of Proprietary Products in order to protect our trade secrets, assure quality, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

In the case of Operating Assets, suppliers could, at our option, be limited to us, our affiliates, and/or other specified exclusive sources, in which case you would have to buy such Operating Assets only from us, our affiliates, and/or the other specified exclusive sources at the prices we or they decide to charge. We have the absolute right to limit the suppliers with whom you may deal. None of our officers currently owns an interest in any designated third-party supplier to the franchise network.

You currently must purchase certain Menu Items, related ingredients, and other products, as well as certain Operating Assets and the point-of-sale systems and software we describe in Item 11, only from suppliers we designate. Except as we describe above, there are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items for establishing or operating the Shop that you currently must buy or lease from us (or an affiliate) or designated suppliers.

If we approve you to offer delivery and/or catering services in connection with the Shop, you must make accommodations for delivery and/or catering services in compliance with our System Standards, including utilizing only the specified designated delivery and/or catering service providers we identify, making available the Menu Items identified as appropriate for delivery and/or catering (and only those designated Menu Items), and limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing.

To maintain the quality of the goods and services that Doughnuttery Shops sell and our System's reputation, we may condition your right to buy or lease goods and/or services (besides those described above that you may obtain only from us, our affiliates, and/or other specified exclusive sources) on their meeting our minimum standards and specifications and/or being acquired from suppliers that we approve (such as certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead). We will issue and modify standards and specifications based on our and our Doughnuttery Shop franchise owners' experience in operating Doughnuttery Shops. Our standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our confidential operating manual and other communications we may provide to you (collectively, the "Operations Manual") will identify our standards and specifications for the System. We will notify you and, where appropriate, the suppliers, of our standards and specifications. Other than for Proprietary Products, there might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be potentially considered an approved supplier.

If we institute any type of restrictive sourcing program (which, as noted above, we have already done for Proprietary Products and may do so for other items) and you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved or designated, you first must send us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System Standards or the supplier meets approved supplier criteria. We list examples of our criteria for supplier approval in the following paragraph below in this Item. We do not have any specific written criteria for supplier selection and do not intend at this time to prepare one. Therefore, we will not furnish our criteria for supplier approval to Doughnuttery Shop franchise owners. We may charge you or the supplier a reasonable fee for the evaluation and will decide within a reasonable time (no more than 120 days). We periodically will establish procedures for your requests and may limit the number of approved items, services, and/or suppliers as we think best.

Supplier approval might depend on product quality, delivery frequency and reliability, service standards, years in business, capacity of supplier, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, or other criteria. We and our affiliates have the right to receive payments or other material consideration from suppliers on account of their actual or prospective dealings with you and other franchise owners and to use all amounts that we and our affiliates receive without restriction (unless we and our affiliates agree otherwise with the supplier) for any purposes we and our affiliates deem appropriate. Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, product, or service. We may charge you a fee not to exceed the reasonable cost of the inspection and the actual cost of the test in connection with our evaluation and approval or disapproval of proposed suppliers.

~~Neither we nor our affiliates received any payments directly from franchise owners, or from suppliers based on franchise owner purchases, in respect of products or services during the prior fiscal year.~~

Insurance. Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You currently must have comprehensive public liability and general liability coverage (\$1 million per occurrence and \$2 million aggregate for claims of bodily injury and/or property damage and a separate aggregate limit of \$2 million for products and completed operations), umbrella or excess liability (\$3 million per occurrence and \$3 million aggregate); product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring from the Shop's operation (combined single limit of \$1 million per incident), property insurance (i.e., "all risk" coverage) with available limits sufficient to restore improvements and betterments and replace business property, and other policies containing the minimum liability coverage we specify, such as worker's compensation insurance (including occupational disease) as required by law (statutory amounts), employer's liability insurance (\$1,000,000.00 each accident; \$1,000,000.00 disease each employee; \$1,000,000.00 disease policy limit), state-mandated disability insurance, business interruption coverage, and any other coverage required by law or your lease. Premiums depend on the insurance carrier's charges, terms of payment, and your history. All insurance policies must name us as an additional insured party. If you fail to obtain or maintain required insurance coverage for the Shop, we may do so on your behalf and invoice you for reimbursement of our costs and expenses to arrange the missing coverage (such as unpaid premiums and related costs, non-compliance fees and late charges, plus an administrative charge of \$500 per event).

Advertising Materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we (or a supplier we may designate, at our option) have not prepared or previously approved. If you do not receive written notice of approval within 10 business days after you submit materials to us, they are deemed disapproved. You must not engage in any advertising of your franchised Shop unless we have previously approved the medium, content and method.

Shop Development. You are responsible for developing the Shop. We reserve the right to give you mandatory and suggested specifications and layouts for a Doughnuttery Shop, including requirements for dimensions, design, image, interior layout, decor, materials, equipment, signage,

graphics, lighting and color schemes. We reserve the right to change these requirements and specifications from time to time as we see fit in our sole and absolute discretion. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. You must prepare a site survey and all required construction plans and specifications for the Shop’s site and make sure that they comply with the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You are required to submit all final plans, drawings and specifications for our review and written approval before you begin constructing the Shop. You are also required to submit for our review and written approval all revised or “as built” plans and specifications during construction. Our review is only to ensure your compliance with our design requirements. We may inspect the Shop during its development, and at any time and from time to time during the franchise term.

Shop Site. We have the right to approve your lease or sublease and to require that you sign our required form of Lease Addendum to any third-party lease you sign (attached as an exhibit to the Franchise Agreement). We may also enter into a master lease for the site of the Shop and sublease the Premises to you. You must submit, for our approval, all information and materials we request regarding any site at which you propose to operate a Doughnuttery Shop.

Collectively, the purchases and leases described above are approximately 90% of your overall purchases and leases in establishing the Shop and 90% of your overall purchases and leases in operating the Shop.

In 2019, our affiliate, Doughnuttery, Inc., earned \$13,128.96 in revenue from selling required products to our Doughnuttery Shop franchise owner and licensee (see Item 1). Neither we nor our affiliates otherwise received any revenue or other material consideration during 2019~~8~~ from selling items to Doughnuttery Shop franchise owners, but we and/or our affiliates may do so in the future. During fiscal year ending December 31, 2019~~8~~, we received no rebates from any suppliers, but we and/or our affiliates may do so in the future.

We anticipate that any revenue or other consideration we and/or our affiliates receive in the future from suppliers will include certain promotional allowances, rebates, volume discounts, and other payments that may range from 0-10% of the amount of the goods or services you purchase from the supplier. We expect that at least some of these arrangements will generally allow us and/or our affiliates to obtain discounts from standard pricing, and that it may facilitate our and/or our affiliates’ ability to pass along a portion of the savings to you. We anticipate that we and/or our affiliates will, but have no obligation to, deposit certain future amounts we and/or our affiliates receive from suppliers (as a result of purchases made by Doughnuttery Shop franchise owners from those suppliers) to the Fund for the general benefit of the Marks and the promotion of all Doughnuttery Shops generally.

There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms). We do not provide material benefits to Doughnuttery Shop franchise owners (for example, renewal or granting additional franchises) based on their purchase of particular products or services or use of particular suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 2.A, 2.B, 6(1), and 14(2) of Franchise Agreement and Exhibit A of Development Agreement	Items 7, 8, and 12
b. Pre-opening purchases/leases	Sections 2.A to 2.F, and 8 of Franchise Agreement; Not applicable to Development Agreement	Items 5, 7, 8, and 11
c. Site development and other pre-opening requirements	Section 2 of Franchise Agreement; Not applicable to Development Agreement	Items 7, 8, and 11
d. Initial and ongoing training	Section 4 of Franchise Agreement; Not applicable to Development Agreement	Items 6, 7, and 11
e. Opening	Section 2.F of Franchise Agreement; Not applicable to Development Agreement	Item 11
f. Fees	Sections 2.B, 3.A to 3.D, 4.A to 4.C, 8.C, 8.F, 9, 11.B, 12.C, 13.A, 14.F, 16.D, 17.C and 17.F of Franchise Agreement; Sections 2.02 and 3 of Development Agreement	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Sections 4.C and 4.D and 8 of Franchise Agreement; Sections 1.02 and 2 of Development Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 1.A, 1.B, 5, 6, 15.B and 15.C of Franchise Agreement; Sections 5.03 and 6.01 of Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.D and 8.C of Franchise Agreement; Not applicable to Development Agreement	Items 8, 11, 12, and 16
j. Warranty and customer service requirements	Sections 1.B and 8 of Franchise Agreement; Not applicable to Development Agreement	Items 8, 12, and 16

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
k. Territorial development and sales quotas	Sections 1.D to 1.G of Franchise Agreement; Section 2.04 of the Development Agreement	Items 12 and 17
l. Ongoing product/service purchases	Sections 2.E, 2.F, and 8 of Franchise Agreement; Not applicable to Development Agreement	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 8 and 13 of Franchise Agreement; Not applicable to Development Agreement	Items 8, 11, 16, and 17
n. Insurance	Section 8.F of Franchise Agreement; Not applicable to Development Agreement	Items 7 and 8
o. Advertising	Section 9 of Franchise Agreement; Not applicable to Development Agreement	Items 6, 7, 8, and 11
p. Indemnification	Section 16.D of Franchise Agreement; Not applicable to Development Agreement	Item 6
q. Owner's participation/management/staffing	Sections 1.C, 4, and 8.E of Franchise Agreement; Not applicable to Development Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement; Not applicable to Development Agreement	Not Applicable
s. Inspections and audits	Section 11 of Franchise Agreement; Not applicable to Development Agreement	Items 6 and 11
t. Transfer	Section 12 of Franchise Agreement; Not applicable to Development Agreement	Item 17
u. Renewal	Section 13 of Franchise Agreement; Not applicable to Development Agreement	Item 17
v. Post-termination obligations	Section 15 of Franchise Agreement; Not applicable to Development Agreement	Item 17
w. Non-competition covenants	Sections 7, 12.C, 15.D, 16 and 17.A of Franchise Agreement; Sections 6.02, 7.02(h) and 9.02 of Development Agreement	Items 15 and 17
x. Dispute resolution	Section 17 of Franchise Agreement; Section 10 of Development Agreement	Item 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
y. Other - Guaranty	Sections 1.C and 12.C of Franchise Agreement; Attachment to Franchise Agreement; Attachment to Development Agreement	Items 1 and 15

Item 10

FINANCING

We and our affiliates do not offer direct or indirect financing. Neither we nor our affiliate will guarantee your note, lease, or obligation.

Item 11

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

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

Pre-Opening Assistance

Before you open and begin operating the Shop, we will:

1. Designate the Territory for the Shop. (Franchise Agreement – Section 1.F)
2. We will approve or disapprove each site that you propose in accordance with our policies and procedures according to our general criteria for selection of a Doughnuttery Shop site. The site must meet our criteria for demographic characteristics; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you.

You must submit a proposed site plan, space plan, site approval package and related materials to us and receive our approval of a proposed site no later than 60 days after the effective date of the Franchise Agreement, or we may terminate your Franchise Agreement. We will approve or disapprove any proposed site within 30 days of receipt of the site request materials we require. (Franchise Agreement – Sections 1.D and 2.A.)

3. We must approve your third-party lease for the Premises before you sign it. The lease must be in form and substance we approve, and must include the provisions of our required lease addendum. You must submit a proposed lease for the Premises to us for our approval within 30 days after we approve a site you propose, and in any case no later than 90 days after the effective date of the Franchise Agreement. You must deliver to us the approved and fully-

signed lease (including the provisions of the lease addendum) within 7 days after you sign the lease for the Premises. At our option, we may terminate your Franchise Agreement if you and we do not agree on an acceptable site, and you do not submit a lease or purchase document for that site to us, within 90 days after we sign the Franchise Agreement. (Franchise Agreement – Section 2.B.)

4. Provide you mandatory and suggested specifications and layouts for a Doughnuttery Shop, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. (Franchise Agreement – Section 2.C.)
5. As discussed in Item 8, identify the Operating Assets and related products and services, Proprietary Products, Menu Items and other items that you must use to develop and operate the Shop, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items (which may be limited to and/or include us, our affiliates, and/or other specified exclusive sources). (Franchise Agreement – Sections 2.C, 2.D, 2.E, 4.C and 8.C)
6. Provide you access to one copy of the Operations Manual, the current table of contents of which is Exhibit H. As of the date of this Disclosure Document, the Operations Manual contains approximately 93~~110~~ pages. (Franchise Agreement – Section 4.D.)
7. Train you (or your managing owner) and the manager-level employee you appoint. (Franchise Agreement – Section 4.A.) We describe this training later in this Item.

If you sign the Development Agreement, then we and you will have completed the Development Schedule that designates a specific number of Doughnuttery Shops that you or an Affiliate (defined in Item 15) must open (a minimum of 2) at sites that we approve within your Development Area based on our then-current standards for site selection and territory. (Development Agreement – Sections 2, 4 and 6) Some of the assistance noted above may be performed during the term of a Development Agreement but before the signing of a second or subsequent Franchise Agreement for an additional Doughnuttery Shop.

Ongoing Assistance

During your operation of the Shop, we will:

1. Advise you regarding the Shop's operation based on your reports or our inspections, audits and/or evaluations of your franchise's training methods, techniques, equipment, staff and services rendered to its customers. We also will guide you on standards, specifications, and operating procedures and methods that Doughnuttery Shops use; purchasing required and authorized Operating Assets, Proprietary Products, Menu Items and other items as well as arranging for their distribution to you; advertising and marketing materials and programs (including reviewing and approving or disapproving those materials); employee training; and administrative, bookkeeping, and accounting procedures. We will guide you in our Operations Manual, bulletins, or other written materials; by electronic media; by telephone consultation; and/or at our office or the Shop. (Franchise Agreement – Section 4.C)
2. Continue to provide you access to one copy of the Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or

written materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules (“System Standards”) that we periodically require. We may modify the Operations Manual periodically to reflect changes in System Standards. (Franchise Agreement – Sections 4.D and 8)

3. Issue and modify System Standards for Doughnuttery Shops. We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may require you to invest additional capital in the Shop and/or incur higher operating costs. (Franchise Agreement – Section 8)
4. Establish, to the fullest extent allowed by applicable law, maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. (Franchise Agreement – Section 8.G)
5. Inspect the Shop and observe Shop operations to help you comply with the Franchise Agreement and all System Standards. (Franchise Agreement – Section 11.A)
6. Let you use our confidential information. (Franchise Agreement – Section 6)
7. Let you use our Marks. (Franchise Agreement – Section 5)
8. Periodically offer refresher training courses. (Franchise Agreement – Section 4.B)

If you sign the Development Agreement, then we will grant you or an Affiliate franchises for Doughnuttery Shops if we approve of your (or the Affiliate’s) financial and operation ability and the proposed site for each new franchised location. Some of the assistance noted above may be performed during the term of a Development Agreement but before the signing of a second or subsequent Franchise Agreement for an additional Doughnuttery Shop.

Advertising and Development Fund

Recognizing the value of advertising and marketing to the goodwill and public image of Doughnuttery Shops, we may establish the Fund and will collect for deposit into the Fund the amounts we require you to contribute (2% of previous month’s Gross Sales each month). Doughnuttery Shops that we or our affiliates operate will contribute to the Fund on the same basis as franchise owners. We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Doughnuttery Shops and with whom we have agreed that we will so deposit these allowances.

We and/or an advertising agency that we designate will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies and efforts; social media strategy and execution; use of social media influencers; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may advertise locally, regionally, and/or nationally in printed

materials, on radio or television, and/or on the Internet, whatever we think best. The Fund periodically may give you samples of advertising, marketing, and promotional formats and materials at no cost. We or the Fund will sell you multiple copies of these materials at their direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for its or our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, exposition and show costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Fund contributions. Because we did not implement the Fund during our 201~~9~~⁸ fiscal year, it has no operating history and is not currently audited.

The Fund is not our asset. The Fund also is not a trust. We have a contractual obligation to hold all Fund contributions for the benefit of the contributors and to use contributions only for their permitted purposes (described above). We do not have a fiduciary obligation to you for administering the Fund. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, repay any amounts owed to us or others as borrowed by the Fund in prior periods, or invest any surplus for future use. We do not expect to use any of the Fund contributions specifically to develop materials and programs that will be used principally to solicit franchise owners. However, media, materials, and programs, including our Website, prepared using Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We will prepare an annual, unaudited statement of Fund collections and expenses and give it to you upon written request. We may incorporate the Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

The Fund is to maximize recognition of the Marks and patronage of Doughnuttery Shops. Although we may use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Doughnuttery Shops, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Doughnuttery Shops operating in that geographic area or that any Doughnuttery Shop benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising. We may use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchise owner's Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to franchise owners, and to us and our affiliates, in proportion to their, and our, respective contributions during the preceding 12 month period. We may reinstate Fund contributions upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' prior written notice to you. (Franchise Agreement – Section 9.B)

Your Local Advertising

You must conduct grand opening advertising approved by us during a grand opening period beginning 1 week before your Shop opens for business and ending 2 weeks after your Shop opens for business. During the grand opening period, you must spend a minimum of \$2,500 on grand opening advertising.

In addition to your obligation to conduct grand opening advertising and Fund contributions, you must spend, during the second month of the franchise term and in all subsequent months, 1.5% of the Shop's Gross Sales. You must participate at your own expense in all advertising, promotional and marketing programs that we require. You must send us monthly reports (in a form we approve or designate) of your marketing expenditures, along with a year-to-date report of the total amount spent on local advertising.

Your local advertising and promotion must follow our guidelines. All advertising and promotional materials that you develop for the Shop must contain notices of our Website's domain name in the manner we designate. You may not develop, maintain, or authorize any Website that mentions or describes you or the Shop or displays any of the Marks without our prior written approval. We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System, including through the use of a page or profile on a social media Website such as Facebook, Instagram, Pinterest and Twitter. All advertising, promotion, marketing, and public relations must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the policies that we periodically require. Before you use them, you must send us or our designated agency for review samples of all advertising, promotional, marketing, and public relations materials that we have not prepared or previously approved. Promotional material includes materials you provide on a Website or similar medium. If you do not receive written approval or disapproval within 10 business days after we or our designated agency receives the materials, they are deemed to be disapproved. You must not engage in any advertising of your Shop unless we have previously approved the medium, content and method.

We have the right to require you to use one or more required suppliers for your local advertising and to require you to spend all or a portion of the required money you must spend on local advertising with required suppliers. We reserve the right to collect amounts directly from you via EFT to pay required suppliers.

We, or our designated supplier, may become the required supplier of some or all digital marketing and advertising services. If we do, you will be required to discontinue using any of your current suppliers for this service upon expiration of any existing contracts for these services, or within 30 days of receiving notice from us that we will be providing these services, whichever occurs first. Any amounts paid to us as the required supplier of digital marketing and advertising services may be applied towards the monthly minimum you must spend on local advertising.

You must list and advertise the Shop in at least one online directory listing (such as Google or Yelp), at least one recommended classified telephone directory distributed within the Territory (in designated business classifications) and use an approved form of classified telephone directory advertisement. If other Doughnuttery Shops are located within the directory's distribution area, we may require you to participate in a collective telephone directory advertisement with those Doughnuttery Shops and pay your share. (Franchise Agreement – Section 9.C)

Cooperative Advertising Programs

We may designate an advertising coverage area (“ACA”) – local or regional – in which 2 or more Doughnuttery Shops are located in order to seek to establish a cooperative advertising program (“Cooperative Program”). An ACA is the area covered by the particular advertising medium recognized in the industry. We will require all franchise owners in the ACA to participate. Each Doughnuttery Shop operating in the ACA will have one vote, including those we or our affiliate operate.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Cooperative Program’s purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If we establish a Cooperative Program for the geographic area in which the Shop is located, you must sign the documents we require to become a member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you must contribute up to 2% of the Shop’s Gross Sales to the Cooperative Program weekly, monthly, or as otherwise specified by 67% or more of the Doughnuttery Shops operating in the ACA. Doughnuttery Shops that we or our affiliates operate in the applicable ACA will contribute to the Cooperative Program on the same basis as franchise owners. You need not contribute more than 2% of the Shop’s Gross Sales to the Cooperative Program unless 67% or more of the Doughnuttery Shops operating in the ACA, including those we or our affiliates operate, vote to increase the contribution in excess of 2%. Any amounts you contribute to a Cooperative Program will count toward the percentage of Gross Sales you are required to spend on local advertising.

You must send us and the Cooperative Program any reports that we require. The Cooperative Program and its members may not use any advertising or promotional plans and materials without our prior written consent. We have the power to form, change, dissolve, or merge any Cooperative Program. We will make available for your review any records showing payments to and expenses of any Cooperative Program in which you participate.

We do not have a franchise owner advisory council that advises us on advertising policies.

Computer System

You must obtain and use in the Shop a computer system containing the hardware and software we specify or that we recommend (the “Computer System”). The Computer System currently includes: (i) the required POS system and related hardware and software and set-up fees from our designated vendor; (ii) a laptop, router and a printer; and (iii) Microsoft Office and QuickBooks.

Currently, our required POS system is Toast POS provided by Toast, Inc. You must purchase and maintain a POS system consisting of at least one POS terminal. Each POS terminal will cost approximately \$2,500, which includes a monitor, cash register drawer, card reader, digital scanner, printer and related hardware and software. In addition to the cost for the initial purchase of the POS system, you must also pay Toast, Inc. an initial set-up fee of approximately \$400 and an on-going, monthly license fee of \$150, in each case for one POS terminal. The following software, for which Toast, Inc. is currently the sole approved supplier, is currently optional, although we may in the

future require that you obtain it: Toast API (currently \$25 per month); Enterprise (currently \$50 per month); Online Ordering (currently \$50 per month); Gift Cards (currently \$50 per month); Inventory Management (currently \$75 per month); and, Loyalty/Rewards (currently \$25 per month).

You may purchase all other parts of the Computer System from any vendor so long as we have not designated a sole or approved vendor for a particular component and your Computer System for the Shop meets our overall specifications. A laptop computer costs approximately \$600, a router costs approximately \$315 and a printer costs approximately \$300. Microsoft Office costs approximately \$100 per year and QuickBooks costs approximately \$300. We may modify the specifications for and components of the Computer System. You will be responsible for the costs of updating and implementing any changes we make to the Computer System.

You will be solely responsible for ongoing maintenance and upgrading of the Computer System. Other than the \$120 on-going monthly license fee that you will pay for the POS system, the third parties whose Computer System-related products you purchase or lease have no contractual rights or obligations to provide ongoing maintenance, repairs, upgrades or updates unless you obtain a service contract or a warranty covers the product.

The types of data to be generated or stored in the Computer System may include sales information, food costs analysis, inventory, customer names and contact information, purchases, suppliers and other information that we may from time to time specify in the Operations Manual. We have independent, unlimited access to the information generated by the Computer System and you may not block or restrict that access. You must also have a functioning email address so that we can send you notices and otherwise communicate with you by this method.

We reserve the right to change the Computer System at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We may require you to use proprietary software, for which you may pay an annual license fee. We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities concerning, the software or technology. We or our affiliates may charge you a monthly, annual, or other license fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the franchise term.

Opening

We estimate that it will be 180 days after you sign the Franchise Agreement before you open and begin operating the Shop. The specific timetable for opening and operating the Shop depends on various factors, including the length of time to locate and sign a lease for the site; the location of the Premises (whether it is in a residential or non-residential location); the construction or remodeling of the site; the delivery and installation schedule for equipment and supplies; the hiring of staff and completion of required training; financing arrangements; and the compliance with local laws and regulations. You must notify us in writing at least 30 days before the day on which you propose to begin operating the Shop. You may not open or begin operating the Shop until: (1) we notify you in writing that the Shop and Premises meet our standards and specifications and you provide us with evidence of business licenses, permits, inspections and other similar items as we request; (2) you (or your managing owner) and your other employees complete initial training to our satisfaction; (3) you

pay the initial franchise fee and other amounts then due to us; and (4) you give us certificates or other evidence we require for all required insurance policies. In any case, you must open the Shop within 180 days after the effective date of the Franchise Agreement or we may terminate your Franchise Agreement. (Franchise Agreement – Section 2.F)

Training

If this is your first Doughnuttery Shop, then before the Shop opens for business, at no additional charge to you, we will train you (or your managing owner), your Shop Manager and one additional attendee on operating a Doughnuttery Shop. We will provide at least one week of initial training, although the specific number of days depends on our opinion of your experience and needs. Additional people beyond 3 attendees may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional trainee, not to exceed \$500 per person. Training fees are non-refundable.

We or our designee conduct our initial training program as frequently as we deem necessary at a designated training facility and/or at an operating Doughnuttery Shop in New York, New York. Initial training must occur and be completed at least 2 weeks before you open the Shop. You (or your managing owner) and your Shop Manager must complete initial training to our satisfaction before you may open and begin operating the Shop. If we determine that you (or your managing owner) and/or your Shop Manager cannot complete initial training to our satisfaction, then we may terminate the Franchise Agreement.

As of the date of this Disclosure Document, our required initial training program includes the following programming:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to DOUGHNUTTERY	2	10	New York, New York, or other location we designate
Compliance Systems	12	12	New York, New York, or other location we designate
Operational and Food Safety Awareness/Standards	24	104	New York, New York, or other location we designate
Real Estate/ Site Location	1	1	New York, New York, or other location we designate
Store Construction	2	1	New York, New York, or other location we designate
Vendor Introductions	2	0	New York, New York, or other location we designate
Hiring the Right Employee/Labor Scheduling	1	1	New York, New York, or other location we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Consumer Acquisition/Marketing/Channels	1	1	New York, New York, or other location we designate
Inventory/Ordering	1	1	New York, New York, or other location we designate
POS/ Software	2	2	New York, New York, or other location we designate
Technology (Helpdesk/ SEO/Social Media/ Marketing)	2	<u>12</u>	New York, New York, or other location we designate
Profit Management (CBRs/P&Ls)/ Required Data Submission	2	1	New York, New York, or other location we designate
Quizzes and Final Exam	<u>12</u>	<u>10</u>	New York, New York, or other location we designate

Evan Feldman, our Founder, supervises and coordinates the initial training program. He has nine~~eight~~ years of relevant experience in the food and beverage field and six~~five~~ years' experience with us.

The instructional materials for our initial training program currently include, or may include in the future, computer-based training courses and software, videos, handouts, the Operations Manual, and tests or other evaluations that we require you or your attendees to complete.

You (or your managing owner) may request additional training at the end of the initial training, to be provided at our then current per diem charges, if you (or your managing owner) feel that you or any of your attendees are not sufficiently trained to operate a Doughnuttery Shop. We and you (or your managing owner) will jointly determine the time and duration of this additional training. However, if you (or your managing owner) and the other attendees satisfactorily complete our initial training program and you do not expressly inform us at the end of the program that you (or your managing owner) or other attendees do not feel sufficiently trained in the operation of a Doughnuttery Shop, then you (or your managing owner) and all other attendees to the initial training program will be deemed to have been trained sufficiently to operate a Doughnuttery Shop.

When the Shop is preparing to open for business, you may, with 30 days advance written notice to us, request that we send a representative to the Shop, for up to 7 days, to provide on-site support in connection with pre-opening and opening activities. This on-site support is not guaranteed and will be provided based on the availability of our trainers and other circumstances. If you request and we can provide this on-site support, then you must reimburse us our costs, including trainer salaries and all reasonable travel and living expenses that we incur in connection with providing this on-site support at the Shop.

You (or your managing owner) and/or other previously trained and experienced employees must attend and complete to our satisfaction various training courses that we periodically provide either online or in-person at the times and locations we designate. We may charge reasonable registration or similar fees for these courses. We will not require in-person attendance for more than a total of 10 days during a calendar year. Besides attending these courses, we may require you to attend an annual national meeting of all Doughnuttery Shop franchise owners at a location we designate, and an annual regional meeting of Doughnuttery Shop franchise owners at a location we designate. Attendance will not be required for more than 3 days, not including travel time, during any calendar year. You are responsible for all related travel and living expenses and wages incurred in connection with attending these online or in-person courses and meetings.

We may require that any Shop Managers you hire or appoint after your Shop opens for business satisfactorily complete our initial and ongoing training programs. We may charge reasonable fees for training Shop Managers, not to exceed \$500 per person for the initial training programs and \$500 per person, per week for ongoing training programs.

You agree to pay all travel and living expenses which you and your employees incur during all training courses and programs. (Franchise Agreement – Sections 4.A. and 4.B.)

Item 12

TERRITORY

Franchise Agreement

You will operate the Shop within a specific Territory that we first must approve. We will describe the Territory in the Franchise Agreement before you sign it. We will determine the size and boundaries of the Territory in our sole judgment, based upon factors including population density, character of neighborhood, location, number of competing businesses, general traffic and pedestrian traffic flow, and other demographic and population factors. A typical franchise territory for a Doughnuttery Shop to be located at a traditional location will cover an approximate geographic area with a minimum radius, as measured from the front door of a Doughnuttery Shop, of either one-eighth mile radius around the Premises in an urban area or a two-mile radius around the Premises in a suburban or rural area. If you sign a Franchise Agreement for a Doughnuttery Shop to be located at a Captive Site Location, you will not receive an exclusive or protected territory. “Captive Site Locations” are sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, airports, hotels, school campuses, train stations, travel plazas, and sports stadiums/arenas or entertainment venues.

You have no options, rights of first refusal, or similar rights to acquire additional franchises within the Territory or in contiguous territories, but you may acquire such rights to additional franchises by separately signing a Development Agreement with us. You may operate the Shop only from the Premises we approve within the Territory and may not relocate the Premises without our approval.

If we approve you to offer delivery and/or catering services in connection with the Shop, you must make accommodations for delivery and/or catering services in compliance with our System Standards, including limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing. Any delivery and/or catering area we specify is not exclusive and

we may engage, and/or allow other franchise owners and third parties to engage, in any activities we desire within the delivery and/or catering area without any restrictions (including allowing other Doughnuttery Shop franchise owners and delivery and/or catering service providers to provide delivery and/or catering services in the delivery and/or catering area). Any delivery and/or catering area we specify is nothing more than the geographic boundaries in which you may deliver and/or cater those Menu Items approved for delivery and/or catering from the Shop, and no other rights are granted to you.

We and our affiliates retain certain rights within and outside the Territory, as described below in this Item. Therefore, you will not receive an exclusive territory. You may face competition from other Doughnuttery Shop franchise owners, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except as limited below, as long as you are in full compliance with the Franchise Agreement, then we and our affiliates will not operate or grant a franchise for the operation of a Doughnuttery Shop at a location in the Territory during the term of your Franchise Agreement. Otherwise, we and our affiliates retain all rights with respect to Doughnuttery Shops, the Marks, the sale of identical, similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

(1) the right to operate, and to grant to others the right to operate, Doughnuttery Shops located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Shop;

(2) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at any locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;

(3) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those products and services provided at Doughnuttery Shops, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the Internet or similar electronic media, any other form of electronic commerce, shop-in-shops, supermarkets and department stores) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(4) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(5) the right to market and sell products and services to national, regional and institutional accounts, whether located inside or outside the Territory. “National, regional and institutional accounts” are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory;

(6) the right to operate and to grant others the right to operate Doughnuttery Shops at “Captive Site Locations” within and outside the Territory on any terms and conditions we deem appropriate.;

(7) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Doughnuttery Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchise owners or licensees of these businesses) are located or operating (including in the Territory); and

(8) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services the same as or similar to those provided at Doughnuttery Shops, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory.

Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities or projects within your Territory). If we receive contracts for any Doughnuttery products and/or services calling for performance or delivery in your Territory as a result of our engaging in commerce with national, regional and institutional accounts, then we will have the right, but not the obligation, either to require you to fulfill such contracts at the price we agree on with the client or to give you the opportunity to fulfill such contracts at the price we agree on with the client. If we give you the opportunity to fulfill such contracts and if, for any reason, you do not desire to or cannot serve the client, or if the client desires for any or no reason to deal exclusively with us, our affiliate or another franchise owner and not with you, then we, our affiliate or any other Doughnuttery Shop may serve the client within your Territory, and you will not be entitled to any compensation. The procedures governing our national, regional and institutional accounts program are set forth in our Operations Manual.

We may exercise any of the retained rights without compensating you. Although we have the right to do so (as described above), neither we nor our affiliate currently operates, franchises, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell in the Shop.

Except to the extent that we may authorize the Shop to accept online orders from take-out or delivery customers that the Shop receives by way of a franchise network Website that we control and administer, or third party dining vendors (for example, Seamless or GrubHub) that we may specifically authorize or approve for use with the System, you may not use other channels of distribution, such as the Internet or any other form of electronic commerce, catalog sales, telemarketing, or other direct marketing to make sales inside or outside the Territory. You must advertise and solicit clients for the Shop only within the Territory. You may not operate the Shop outside the Territory. You will not have the right to provide delivery or catering services to any customers without our prior written consent, which we may withhold for any reason or no reason.

Continuation of your franchise and your territorial protection (as described above) does not depend on your achieving a certain sales volume, market penetration, or other contingency.

Development Agreement

If you sign the Development Agreement, then you will develop a specified number of Doughnuttery Shops within the Development Area (a minimum of 2). We and you will identify the Development Area in the Development Agreement before signing it. Sizes and boundaries for a Development Area will vary widely depending on factors like economic conditions in the market you are developing and the number of Doughnuttery Shops that we approve you to develop based on our then-current standards, demographics, and site availability. For each Doughnuttery Shop to be developed under the Development Agreement, we will describe the Territory in the applicable Franchise Agreement before you sign it. There is no minimum size for a Development Area. We will describe the Development Area using streets or other natural boundaries or, in some markets, city or county boundaries. We and you will negotiate the Development Schedule describing the number of Doughnuttery Shops that you must develop to keep your development rights and the dates by which you must develop them. We and you then will complete the Development Schedule in the Development Agreement before signing it. Except for as specified in the Development Schedule, you have no options, rights of first refusal, or similar rights to acquire additional franchises in the Development Area.

You will not receive an exclusive Development Area. You may face competition from other Doughnuttery Shop franchise owners, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If you are in full compliance with the Development Agreement, then during the Development Agreement's term neither we nor our affiliates will develop or grant a franchise for the development of another Doughnuttery Shop at a site within your Development Area that offers the same or similar goods or services under the Marks (except for franchises for additional Doughnuttery Shops that you may acquire in the territory according to our then applicable requirements, including signing a then current franchise agreement for each additional Doughnuttery Shop).

We may exercise all of the rights that we now reserve in the Franchise Agreement (as described above). After the Development Agreement expires or is terminated, regardless of the reason, we and our affiliates may engage, and allow others to engage, in any activities we desire within and outside the Development Area without any restrictions whatsoever, subject only to your (or any Affiliate's) rights under franchise agreements with us then in effect.

You may not develop or operate Doughnuttery Shops outside the Development Area without our written consent. We may terminate the Development Agreement (but not franchise agreements with you or your Affiliates) if you do not satisfy your development obligations according to the Development Schedule. In addition, upon the occurrence of any event giving rise to our right to terminate the Development Agreement, we may temporarily or permanently reduce the size of the Development Area, in which case the restrictions on us or our affiliates described above will not apply in any geographic area removed from the preceding territorial boundaries. Continuation of your territorial rights in the Development Area does not depend on your achieving a certain sales volume, market penetration, or other contingency. So long as you are in full compliance with the Development Agreement, then we may not alter your Development Area or your territorial rights under the Development Agreement without your consent.

Item 13

TRADEMARKS

You may use certain Marks in operating the Shop. The current principal Marks are:

MARK	REGISTRATION OR APPLICATION NUMBER	REGISTRATION OR APPLICATION DATE
DOUGHNUTTERY (Word Mark)	4537214 (Reg.)	May 27, 2014 (Reg.)
DOUGHNUTTERY (Word Mark)	4547286 (Reg.)	June 10, 2014 (Reg.)
LITTLE NUTS BIG FLAVOR (Word Mark)	5417944 (Reg.)	March 6, 2018 (Reg.)

The principal Marks are owned by our affiliate, Doughnuttery Inc. Doughnuttery Inc. has registered, or applied for registration of, these Marks listed above on the Principal Register of the United States Patent and Trademark Office (“USPTO”). No affidavits or renewal filings are yet due in connection with these registrations or applications. We also require you to use a logo for which we have not yet submitted a trademark registration application. Accordingly, we do not have a federal registration for the logo. Therefore, the logo does not have many legal benefits and rights as a federally registered trademark. If our right to use that logo is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Doughnuttery Inc. has licensed us the right to use the System and Marks and to sublicense them to our franchise owners and other licensees in a trademark, copyright, and know-how license agreement dated as of December 7, 2018. The trademark, copyright, and know-how license agreement allows us to use, and sublicense to our franchise owners and other licensees the right to use, the Marks, System, and other intellectual property anywhere in the world. The trademark, copyright, and know-how license agreement provides for an indefinite term, unless earlier terminated by Doughnuttery Inc. or us upon 120 days’ prior written notice to the other party. Doughnuttery franchise owners must cease using the System and Marks upon termination of the trademark, copyright, and know-how license agreement. No other agreement limits our right to use or license the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademark and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in selling any unauthorized services or products; or as part of any domain name, homepage, social media site page, group or post, electronic address, or otherwise in connection with a Website.

~~On January 23, 2019, we filed a lawsuit alleging 2 claims under the Lanham Act (one for infringement of a registered mark (Sec. 32) and a second for infringement and unfair competition (Sec. 43(a)) and 2 New York state claims (one under New York General Business Law Sec. 133 and one for common law infringement and unfair competition) against Brooklyn Doughnutry Inc. in the Eastern District of New York. The case is *Doughnuttery Inc. v. Brooklyn Doughnutry Inc.*, Civil Action No. 19-cv-448. Brooklyn Doughnutry Inc. has not yet been served and there are no effective court or administrative agency rulings in the matter.~~

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court. ~~Other than the Doughnuttery Inc. v. Brooklyn Doughnutry Inc. case disclosed above,~~ There is no pending infringement, opposition, or cancellation proceedings or material litigation involving the principal Marks and we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us, as we direct, in protecting and maintaining our interests in any litigation or USPTO or other proceeding. At our option, we may defend and/or control the defense of any proceeding arising from your use of any Mark. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving the Marks; however, if you timely notify us and comply with our directions in response to a trademark infringement proceeding that disputes your authorized use of the Marks, then we will reimburse you for your damages and reasonable expenses you incur.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Shop's signs, for any loss of revenue due to any modified or discontinued Mark, any loss of goodwill associated with any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. We claim copyrights in the Operations Manual (which contains our trade secrets), advertising and marketing materials, and similar items used in operating Doughnuttery Shops. We have not registered these copyrights with the United States Registrar of Copyrights, but we need not do so at this time to protect them. You may use these items only as we specify while operating the Shop (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the best interests of the System or all or some Doughnuttery Shops, as we solely determine. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes, or may in the future include: site selection criteria and layouts, designs and other plans and specifications for Doughnuttery Shops; ingredients, recipes and related information concerning any food items as part of the Menu Items; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Doughnuttery Shops; marketing, promotional and advertising research and programs for Doughnuttery Shops; knowledge of specifications for and suppliers of Operating Assets, Proprietary Products, and other products and supplies, including supplier pricing and related terms; any computer software or similar technology which is proprietary to us or the System; knowledge of the operating results and financial performance of Doughnuttery Shops other than the Shop; graphic designs and related intellectual property; customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; all data and other information generated by, or used in, the operation of the Shop, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the Computer System or that visitors to the Shop provide to the Website for the network of Doughnuttery Shops; future business plans relating to Doughnuttery Shops and the Doughnuttery franchise opportunity, including expansion and development plans; and any other information that we reasonably designate as confidential or proprietary.

All ideas, concepts, inventions, techniques, or materials concerning a Doughnuttery Shop, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others. You agree to have our then current form of “Nondisclosure and Non-Competition Agreement” executed by all of the following persons: (i) your Shop Manager and any supervisory or other employees of yours who have received or will receive training from us; (ii) if you are an entity, all your officers, directors, shareholders, partners, members and owners, and those of any entity directly or indirectly controlling you, at the same time the Franchise Agreement is signed, or at such time as they assume such status; and (iii) you, your owners and your and your owners’ spouses. You agree to provide us copies of all executed Nondisclosure and Non-Competition Agreements no later than 10 days following their execution. We will be a third party beneficiary of each Nondisclosure and Non-Competition Agreement with independent enforcement rights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

Franchise owners are expected to participate in the direct operation of their franchise on a full-time basis. If you are a legal entity, you must appoint a shareholder, member, or partner (as applicable) to be your “Managing Owner,” responsible for overseeing and supervising the Shop’s operation. You must maintain a competent, conscientious, trained staff, including a fully-trained, full-time manager, which may be you (or, if you are an entity, your Managing Owner), who must act as the Shop Manager of the Shop with responsibility to conduct day-to-day business activities at the Shop. Because we believe that a person with an equity interest can best ensure that our standards of quality and competence are maintained, we recommend that your Managing Owner serve as the Shop Manager. The Shop must at all times be under the full-time direct, on-premises supervision of you (or your Managing Owner), or the Shop Manager. There are no limits on who you can hire as your on-premises Shop Manager except that your Shop Manager must be approved by us and must complete our initial training program to our satisfaction. You must at all times faithfully, honestly, and diligently perform your contractual obligations and use best efforts to promote and enhance the Shop. System Standards may regulate the Shop’s staffing levels, identifying the Shop’s personnel, and employee qualifications, training, dress, and appearance. If you are a corporation, limited liability company, or partnership, your owners and their spouses must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. The required form of “Guaranty and Assumption of Obligations” is attached to the Franchise Agreement.

You agree to have all of the following persons sign our then current form of Nondisclosure and Non-Competition Agreement: (i) your Shop Manager and any supervisory or other employees who have received or will receive training from us, prior to their employment; (ii) if you are a corporation, limited liability company, or partnership, all your officers, directors, shareholders, partners, members and owners, and those of any corporation, limited liability company, or partnership directly or indirectly controlling you, at the time the Franchise Agreement is signed, or at such time as they assume such status; and (iii) you, your owners, and your or your owners’ spouses. You agree to provide us copies of all executed Nondisclosure and Non-Competition Agreements no later than 10 days following their execution.

Development Agreement

You must develop your Development Area according to the Development Schedule.

We will grant Doughnuttery Shop franchises under the Development Agreement only to you or your Affiliates. “Affiliate” means a corporation, limited liability company or other business entity of which you own 100% of the ownership interests, or otherwise you or your owners collectively own 100% of the ownership interests in the same proportions as your ownership interests are structured under the Development Agreement. Franchises that we grant to your Affiliates will count toward your Development Schedule.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all goods and perform all services that we periodically require for Doughnuttery Shops. You may not offer or sell any products or perform any services that we have not authorized in writing in advance. Our System Standards may regulate: (i) required and/or authorized Menu Items, equipment, vehicles, materials, supplies, Proprietary Products, and other products and services; and (ii) unauthorized and prohibited services, products, equipment, vehicles, materials, supplies. We periodically may change required and/or authorized products and services. There are no limits on our right to do so.

You must use the Premises only for the operation of your franchised Shop and may not operate any other business at or from the Premises without our express prior written consent. You may conduct business only with customers at the Shop and any catering or delivery operations we authorize you to conduct in the Territory. You are not restricted as to the customers whom you may serve at the Shop, except that, if we give you the opportunity to fulfill national, regional or institutional contracts and if, for any reason, you do not desire to or cannot serve the client, or if the client desires for any or no reason to deal exclusively with us, our affiliate or another franchise owner and not with you, then you will not be permitted to serve such clients. You may not operate the Shop outside the Territory. You will not have the right to provide delivery or catering services to any customers without our prior written consent, which we may withhold for any reason or no reason.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1.E of Franchise Agreement	10 years
b. Renewal or extension of the term	Section 1.E and Section 13 of Franchise Agreement	If you are in full compliance, you may acquire 2 successor franchise terms of 5 years each, or as long as you have the right to maintain possession of the Premises, whichever is less. The successor franchises will be on our then current form of Franchise Agreement (which may contain materially different

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		terms and conditions than your original franchise agreement)
c. Requirements for franchisee to renew or extend	Section 13 of Franchise Agreement	To “renew,” you must be in full compliance with the Franchise Agreement; give us timely notice; pay us the renewal fee; maintain possession of Shop premises or find acceptable substitute premises; remodel Shop according to our then current standards (regardless of cost); and sign our then current Franchise Agreement, a release (if law allows), and other documents we use to grant franchises The terms of our then current Franchise Agreement that you sign for renewal of the franchise may differ materially from any and all of those contained in the Franchise Agreement attached to this Disclosure Document, including reduced Territory and increased fees
d. Termination by franchisee	Sections 14.A and 14.G of Franchise Agreement	If we breach Franchise Agreement and an arbitrator determines that we did not cure default after notice from you. Beginning in the second year of the term, you may terminate the agreement but you will be required to pay liquidated damages to us. You may also terminate under any grounds permitted by state law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 14.B of Franchise Agreement	We may terminate your franchise only if you or your owners commit one of several violations
g. “Cause” defined-curable defaults	Section 14.B of Franchise Agreement	You have 72 hours to cure any health, safety or sanitation law, ordinance, or regulation regulating the operation of the Shop; 10 days to cure monetary

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		defaults, failure to maintain required insurance and failure to maintain valid license to operate and/or to comply with other state and/or federal regulations (other than those listed above or in (h) below); 30 days to cure operational defaults and other defaults not listed in (h) below; and 180 days to relocate the Premises to a new site we approve if you lose possession of the Premises
h. “Cause” defined- non-curable defaults	Sections 2, 14.B and 14.C of Franchise Agreement	Non-curable defaults include: misrepresentation in acquiring the franchise; failure to locate and submit for our approval of an acceptable site for the Shop within 60 days; failure to submit a lease for approval within 90 days; failure to deliver a signed lease addendum within 7 days after its execution; failure to open and operate the Shop within 180 days; failure to complete training; abandonment; unapproved transfers; conviction of a felony, crime involving moral turpitude, or other crime; dishonest or unethical conduct; making an unauthorized representation or warranty on our behalf; unauthorized use or disclosure of the Operations Manual or other confidential information; failure to customers, other franchise owners, or third parties; failure to pay taxes; understating Gross Sales; repeated defaults (even if cured); an assignment for the benefit of creditors; appointment of a trustee or receiver; violation of any anti-terrorism law; knowingly maintaining false books or records or submitting false reports; refusing to permit us to inspect the Shop or your books, records, or accounts; termination of any other agreement (including the Development Agreement) between

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		you (or your owners or affiliates) and us (or our owners and affiliates) due to failure to comply with the agreement; use, sale, distribution or give away of any unauthorized products or services; failure to maintain any licenses or permits necessary for the operation of the Shop and/or to comply with any state and/or federal regulations which are likely to adversely affect our reputation, the Shop, and/or the goodwill associated with the Marks; failure to timely notify us of any event, action or other action of which you are required under the Franchise Agreement to provide us notice, which is likely to adversely affect our reputation, the Shop, and/or the goodwill associated with the Marks
i. Franchisee's obligations on termination/nonrenewal	Section 15 of Franchise Agreement	Obligations under the Franchise Agreement include paying outstanding amounts; complete de-identification; assigning telephone and other numbers; and returning confidential information (also see (o) and (r) below)
j. Assignment of contract by franchisor	Section 12.A of Franchise Agreement	No restriction on our right to assign; we may assign without your approval
k. "Transfer" by franchisee – defined	Section 12.B of Franchise Agreement	Includes transfer of Franchise Agreement, the Shop (or its profits, losses or capital appreciation), sale of Operating Assets, and ownership change in you or your owners
l. Franchisor approval of transfer by franchisee	Section 12.B of Franchise Agreement	No transfer without our prior written consent under the Franchise Agreement.
m. Conditions for franchisor approval of transfer	Section 12.C of Franchise Agreement	New franchise owner grants us right to conduct due diligence and is

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		proven to qualify (based on business experience, aptitude and financial resources); you pay us, our affiliates, and third party vendors all amounts due and submit all required reports; no default during 60-day period before transfer request or during period between request and transfer's proposed effective date; new franchise owner (and its owners and affiliates) are not in a Competitive Business; training completed; your landlord allows the transfer or sublease of your lease; you or transferee signs our then current Franchise Agreement and other documents; transfer fee paid (if applicable); you sign release (if law allows); we approve material terms; you subordinate amounts due to you; you de-identify; and you correct existing Shop deficiencies of which we notify you on punchlist (also see (r) below)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12.G of Franchise Agreement	We may match any offer for the Shop or an ownership interest in you within 30 days of receiving written notice
o. Franchisor's option to purchase franchisee's business	Section 15.E of Franchise Agreement	We have the option to purchase certain assets of the Shop upon termination or expiration of the franchise term
p. Death or disability of franchisee	Section 12.E of Franchise Agreement	Your or your managing owner's representative must assign the franchise or an ownership interest in you to approved party within 6 months; substitute shop management must be appointed within 30 days
q. Non-competition covenants during the term of the franchise	Section 7 of Franchise Agreement	Under the Franchise Agreement, no diverting business; no ownership interest in, performing services for, or lending money to, Competitive Business anywhere ("Competitive

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		Business” means any restaurant or other retail or wholesale business which derives more than five percent (5%) of its revenue from selling doughnuts, baked goods, ice cream, frozen yogurt, pretzels and similar sweets and/or snacks and/or coffee, coffee-based mixed beverages, smoothies and similar sweet or fruit based drinks or any business granting franchises or licenses to others to operate such a business); no engagement in activities that may injure goodwill of the Marks.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.D of Franchise Agreement	No direct or indirect ownership interest in, or performing services for, competing business for 3 years at the premises where the Shop is located; within the Territory; within 10 miles of the radius of the Territory; or within 10 miles of any other Doughnuttery Shop (whether franchised or affiliate or company-owned), whether or not such Doughnuttery Shop is in operation or in the process of opening as of date Franchise Agreement expires or is terminated
s. Modification of the agreement	Section 17.J. of Franchise Agreement	No modifications except by written agreement signed by both us and you, but we may change Operations Manual and System Standards
t. Integration/merger clause	Section 17.L. of Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this Disclosure Document

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	Sections 17.E. and 17.F. of Franchise Agreement	With limited exceptions, all disputes must be resolved first by mediation between the parties and, if mediation is not successful, then by arbitration. We and you must mediate and arbitrate all disputes in city in which our then current principal business address is located (currently, New York, New York) (subject to state law)
v. Choice of forum	Section 17.H. of Franchise Agreement	Subject to mediation and arbitration requirements, litigation generally must be in courts having competent jurisdiction in city in which our then current principal business address is located (currently, New York, New York) (subject to state law)
w. Choice of law	Section 17.G. of Franchise Agreement	Except for applicable federal law, New York law governs (subject to state law)

Development Agreement

This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreement attached to this disclosure document.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2.01 and Exhibit A of Development Agreement	Mutually agreed upon
b. Renewal or extension of the term	Section 2.01 of Development Agreement	No renewal or extension

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
c. Requirements for developer to renew or extend	Section 2.01 of Development Agreement	You have no right to renew or extend your rights under this Agreement
d. Termination by developer	Not applicable	Not applicable except under any grounds permitted by state law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Sections 8.01, 8.02 and 8.04 of Development Agreement and Section 14.D of Franchise Agreement	We can terminate only for specified causes If the Franchise Agreement or a franchise agreement entered into under the Development Agreement is terminated, then we can terminate your Development Agreement without notice or opportunity to cure
g. “Cause” defined: curable defaults	Section 8.02 of Development Agreement	30 days to cure certain breaches of the Development Agreement
h. “Cause” defined- non-curable defaults	Sections 8.01, 8.02 and 8.04 of Development Agreement	Includes insolvency; failure to meet development schedule; unauthorized transfer; misrepresentations; conviction of a felony; unauthorized disclosure of confidential information; any default by you under a franchise agreement or any other agreement; adverse franchise legislation. If a franchise agreement entered into under the Development Agreement is terminated, then we can terminate your Development Agreement without notice or opportunity to cure. Any default which allows us to terminate a franchise agreement entered into under the Development Agreement will be an incurable default under the Development Agreement.
i. Developer’s obligations on termination/ nonrenewal	Section 9 of Development Agreement	Comply with covenant not to compete

PROVISION		SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
j.	Assignment of contract by franchisor	Section 7.01 of Development Agreement	No restriction on our right to assign
k.	“Transfer” by developer defined	Section 7 of Development Agreement	Developer has no right to assign agreement or interests in itself to third parties, but may assign to a wholly-owned affiliate. Assignment is defined in Section 7.01 and includes transfer of agreement, sale of business and ownership changes
l.	Franchisor’s approval of transfer by developer	Sections 7.02 and 7.03 of Development Agreement	No right to transfer except to wholly-owned affiliate of developer. Franchisor will not unreasonably withhold approval of transfer
m.	Conditions for franchisor’s approval of transfer	Section 7.02 and 7.03 of Development Agreement	No transfers allowed except to wholly-owned affiliate where conditions include entity paperwork and documentation of interests and signing joinder of liability
n.	Franchisor’s right of first refusal	Not applicable	Not applicable
o.	Franchisor’s option to purchase developer’s development rights	Not applicable	Not applicable
p.	Death or disability of developer	Not applicable	Not applicable
q.	Non-competition covenants during the term of the agreement	Section 6.02 of Development Agreement	No involvement in any competing business regardless of its location; no diverting business; no injury to goodwill of Marks or System

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
r. Non-competition covenants after the agreement is terminated or expires	Section 9.02 of Development Agreement	For a period of 3 years after termination or expiration, you are prohibited from directly or indirectly owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating within the Development Area; (b) any Competitive Business operating within a radius of 10 miles of any Doughnuttery Shop (whether franchised or affiliate or company-owned), whether in operation or under construction on the effective date of termination or expiration; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business
s. Modification of the agreement	Section 10.12 of Development Agreement	No modifications except by written agreement signed by both parties
t. Integration/merger clause	Section 10.12 of Development Agreement	Only terms of Development Agreement are binding (subject to state law); any representations or promises outside the disclosure document and Development Agreement may not be enforceable. However, nothing in the Development Agreement or any related agreement is intended to disclaim our representations made in this disclosure document
u. Dispute resolution by negotiation, mediation & arbitration	Sections 10.06 and 10.07 of Development Agreement	We and you must mediate and arbitrate all disputes at a location we designate in the city in which our then current principal business address is located (currently, New York, New York) (subject to state law).
v. Choice of forum	Section 10.08 of Development Agreement	Subject to mediation and arbitration requirements, litigation must be commenced in the state or federal court of competent jurisdiction located closest to our then current principal business address (currently, New York, New York) (subject to state law).
w. Choice of law	Section 10.09 of Development Agreement	Except for applicable federal law, New York law governs (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.

HISTORICAL DATA

The table below presents historical Gross Sales data for each company owned and operated Doughnuttery Shop ("Company Owned Shop(s)") during the period beginning on January 1, 201~~8~~⁷ and ending on December 31, 201~~8~~⁷ ("Reporting Period 1") and during the period beginning on January 1, 201~~9~~⁸ and ending on December 31, 201~~9~~⁸ ("Reporting Period 2"). We have not included historical Gross Sales data for the one franchised Doughnuttery Shop that was open and operating as of December 31, 2019 because it had not been fully operational for one year as of that date.

Company Owned Shop	Reporting Period 1	Reporting Period 2
Doughnuttery Inc.	\$890,601 ^{\$915,423}	\$890,601 ^{\$933,629}
Doughnuttery Turnstyle Inc.	\$533,482 ^{\$516,599}	\$533,482 ^{\$562,580}
Doughnuttery Plaza Inc.	\$475,888 ^{\$466,896}	\$475,888 ^{\$496,379}

Notes:

1. The Company Owned Shop operated by Doughnuttery Inc. is located in Chelsea Market in New York, New York. It opened in November 2012. The Company Owned Shop operated by Doughnuttery Turnstyle Inc. is located in Turnstyle Underground Market in New York, New York. It opened in April 2016. The Company Owned Shop operated by Doughnuttery Plaza Inc. is located in the Plaza Hotel in New York, New York. It opened in December 2016.
2. As used in this item, the term "Gross Sales" means all revenue that the Company-Owned Shops derived from operating the Shops, including, but not limited to, all amounts that they received at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions and all other income of every kind and nature related to the Shops, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Shops in good faith gives to customers.

3. The financial performance representation above does not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Doughnuttery Shop. Franchise owners or former franchise owners, listed in Exhibit J, may be one source of this information.
4. Other than the requirement that franchise owners pay Royalties and Fund contributions, there are no material financial or operational characteristics of the Company Owned Shops that are reasonably anticipated to differ materially from franchised Doughnuttery Shops.

Some Doughnuttery Shops have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

You are strongly encouraged to consult with your own financial advisors in reviewing the tables and, in particular, in estimating your sales (and the revenue of the outlet) as well as the types and amounts of costs and expenses that you will or may incur in operating your own Shop.

We recommend that you make your own independent judgment investigation about your Shop's potential financial performance, and that you consult with your attorney and other advisors before signing any Franchise Agreement.

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

Other than the preceding financial performance representations, Doughnuttery Franchise, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting: Evan Feldman, our Founder, at 425 West 15th Street, New York, NY 10011 and (212) 633-4359; the Federal Trade Commission; and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years 2017~~6~~ to 2019~~8~~

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2017 6	0	0	0
	2018 7	0	0	0
	2019 8	0	<u>1</u>	<u>+1</u>

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Company Owned*	2017 2016	3	3	0
	2018 2017	3	3	0
	2019 2018	3	<u>3</u>	<u>0</u>
Total Outlets	2017 2016	3	3	0
	2018 2017	3	3	0
	2019 2018	3	<u>4</u>	<u>+1</u>

* Company Owned Shops identified in this Table and in Table 4 are operated through separate affiliates. Our affiliate, Doughnuttery Events Inc., is a catering company that from time to time operates temporary pop-up shops in New York City. Because Doughnuttery Events Inc. does not operate a Doughnuttery Shop and the number of pop-up shops it operates fluctuates throughout the year, we do not include those pop-up shops in the Item 20 tables.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 201~~7~~6 to 201~~8~~9

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All States	2017 2016	0
	2018 2017	0
	2019 2018	0
Totals	2017 2016	0
	2018 2017	0
	2019 2018	0

Table 3
Status of Franchised Outlets
For years 201~~7~~6 to 201~~8~~9

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States Arizona	2017 016	0	0	0	0	0	0	0
	2018 017	0	0	0	0	0	0	0
	2019 018	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
TOTALS	2017	0	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminat ions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
	016							
	2018 017	0	0	0	0	0	0	0
	2019 018	0	<u>01</u>	0	0	0	0	<u>01</u>

Table 4
Status of Company-Owned Outlets*
For years 20176 to 20198

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
New York	2017 201 6	3	0	0	0	0	3
	2018 201 7	3	0	0	0	0	3
	2019 201 8	3	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Totals	2017 201 6	3	0	0	0	0	3
	2018 201 7	3	0	0	0	0	3
	2019 201 8	3	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>

* Our affiliate, Doughnuttery Events Inc., is a catering company that from time to time operates temporary pop-up shops in New York City. Because Doughnuttery Events Inc. does not operate a Doughnuttery Shop and the number of pop-up shops it operates fluctuates throughout the year, we do not include those pop-up shops in the Item 20 tables.

Table 5
Projected Openings as of December 31, 201~~9~~⁸

Column 1 State	Column 2 Franchise Agreements Signed but Outlets Not Opened	Column 3 Projected New Franchised Outlets In The New Fiscal Year	Column 4 Projected New Company-Owned Outlets In The New Fiscal Year
Arizona	00	+1	00
California	00	+	00
Florida	00	+	00
Illinois	00	+	00
New Jersey	00	0	+0
New York	00	0	+2
Texas	00	+	00
Virginia	1	1	0
Wisconsin	1	2	0
All Other States	0	0	0
Totals	02	54	22

As of the date of this Disclosure Document, and as currently reflected in Exhibit J attached, we do not have any franchise owners operating Doughnuttery Shops or former franchise owners that have departed our franchise network during our prior fiscal year. Therefore, no franchise owners had an outlet terminated, canceled, transferred, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, during our last fiscal year or who have not communicated with us within 10 weeks of this Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchise owners have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchise owner in our franchise system. There are currently no trademark-specific franchisee organizations associated with the franchise system.

Item 21

FINANCIAL STATEMENTS

Exhibit G contains our audited financial statements for the years ending December 31, 2019 ~~and period beginning August 18, 2017 (the date of our inception) and ending~~ December 31, 2018. We have not been in business for three years or more and cannot include all the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year end is December 31.

Item 22

CONTRACTS

The following agreements are exhibits:

- (a) Exhibit C Franchise Agreement
- (b) Exhibit D State Addenda to Franchise Agreement
- (c) Exhibit E Development Agreement
- (d) Exhibit F State Addenda to Development Agreement
- (e) Exhibit I Sample Form of General Release
- (f) Exhibit K Franchisee Disclosure Questionnaire

Item 23

RECEIPTS

Our and your copies of the receipt to this Disclosure Document are located at the last 2 pages of this Disclosure Document.

EXHIBIT A
LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

<u>CALIFORNIA</u> Office of the Commissioner California Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 736-2741 <u>(866) 275-2677</u>	<u>HAWAII</u> Commissioner of Securities Department of Commerce and -Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii -96813 (808) 586-2722 <u>2744</u>
<u>ILLINOIS</u> Illinois Attorney General 500 South Second Street Springfield, Illinois -62706 (217) 782-4465	<u>INDIANA</u> Indiana Secretary of State Securities Division, Room E-111 302 West Washington Street Indianapolis, Indiana -46204 (317) 232-6681
<u>MARYLAND</u> Office of Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland -21202 (410) 576-7042 <u>6360</u>	<u>MICHIGAN</u> Franchise Administrator Consumer Protection Division Michigan Department of -Attorney General 670 Law <u>G. Mennen Williams Building, 1st Floor</u> <u>525 W. Ottawa Street</u> Lansing, Michigan 48913 <u>48993</u> (517) 373-7117
<u>MINNESOTA</u> Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota -55101-2198 (651) 539-1600	<u>NEW YORK</u> New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st <u>23rd</u> Floor New York, New York -10005 (212) 416-8236

<u>NORTH DAKOTA</u> Securities Department 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota -58505 (701) 328-2910<u>4712</u>	<u>OREGON</u> Department of Consumer and -Business Services Division of Finance and -Corporate Securities Labor and Industries Building<u>350 Winter Street NE, Rm. 410</u> Salem, Oregon -97310 (501) 378-4387
<u>RHODE ISLAND</u> Superintendent of Securities Division of Securities 233 Richmond Street<u>1511 Pontiac Avenue;</u> Suite 232 <u>John O. Pastore Complex – Building 68-2</u> Providence, Rhode island <u>Island</u> 02903 (401) 277<u>222</u>-3048	<u>SOUTH DAKOTA</u> Department of Labor and <u>Division of</u> <u>Insurance</u> <u>Securities</u> Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota -57501 (605) 773-4823<u>3563</u>
<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, Virginia -23219 (804) 371-9051	<u>WASHINGTON</u> Department of Financial Institutions Securities Division PO Bos 9033 <u>150 Israel Road SW</u> Olympia <u>Tumwater</u>, Washington 98507 <u>98501</u> (360) 902-8760
<u>WISCONSIN</u> Department of Financial Institutions <u>Securities</u> <u>and Franchise Regulation</u> Division of Securities 4th Floor <u>Wisconsin</u> <u>Securities Commission</u> 345 W. Washington Avenue Madison, Wisconsin -53703 (608) 266-1064	

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS

LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Commissioner of the Department of Business Oversight: <i>Los Angeles</i> Suite 750 320 West 4th Street Los Angeles, California 90013-2344 <i>Sacramento</i> 1515 K Street, Suite 200 Sacramento, California 95814-4052 <i>San Diego</i> 1350 Front Street, Rm. 2034 San Diego, California 92101-3697 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, California 94105-2980	INDIANA Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204
HAWAII Commissioner of Securities Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813	MARYLAND Maryland Securities Commissioner at the Office of Attorney General- Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021
ILLINOIS Attorney General of the State of Illinois 500 South Second Street Springfield, Illinois -62706	MICHIGAN Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building, 1st Floor <u>P.O. Box 30054</u> 525 West Ottawa Street Lansing, Michigan 48913 <u>48909</u>

MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 651-539-1600	VIRGINIA Clerk, Virginia State Corporation Commission 1300 East Main Street, <u>1st Floor</u> Richmond, Virginia -23219
NEW YORK New York Secretary of State 99 Washington Ave., <u>6th Floor</u> Albany, New York 12231	WASHINGTON Director, Department of Financial Institutions <u>Securities Division – 3rd Floor</u> 150 Israel Road Southwest Tumwater, Washington 98501
NORTH DAKOTA Securities Commissioner, State of North Dakota 600 East Boulevard Avenue, 5th Floor, Dept. 414 Bismarck, North Dakota 58505-0510	WISCONSIN Administrator, Division of Securities Department of Financial Institutions 345 West Washington Avenue, 4th Floor Madison, Wisconsin 53703
OREGON Oregon Division of Finance and Corporate Securities 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881	
RHODE ISLAND Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Building 69-168- <u>2</u> Cranston, Rhode Island 02920	
SOUTH DAKOTA Department of Labor and Regulation <u>Division of Insurance</u> Division of Securities <u>Regulation</u> 124 S. Euclid Ave., Suite 104 Pierre, SD 57501	

EXHIBIT C
FRANCHISE AGREEMENT

DOUGHNUTTERY FRANCHISE, LLC
FRANCHISE AGREEMENT

FRANCHISE OWNER

DATE OF AGREEMENT

SHOP ADDRESS

TABLE OF CONTENTS

	<u>Page</u>
1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.....	1
A. PREAMBLES.....	1
B. ACKNOWLEDGMENTS.....	22
C. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.....	33
D. GRANT OF FRANCHISE.....	44
E. TERM AND RENEWAL.....	44
F. YOUR TERRITORIAL RIGHTS.....	55
G. RIGHTS WE RESERVE.....	55
H. MODIFICATION OF SYSTEM.....	66
I. NATIONAL, REGIONAL AND INSTITUTIONAL ACCOUNTS.....	77
2. SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF SHOP.....	77
A. SITE SELECTION.....	77
B. LEASE OF PREMISES.....	88
C. SHOP DEVELOPMENT.....	99
D. OPERATING ASSETS.....	1010
E. COMPUTER SYSTEM.....	1010
F. SHOP OPENING.....	1111
3. FEES.....	1212
A. INITIAL FRANCHISE FEE.....	1212
B. CONTINUING SERVICE AND ROYALTY FEE.....	1212
C. ADVERTISING AND DEVELOPMENT FUND CONTRIBUTION.....	1313
D. DEFINITION OF “GROSS SALES”.....	1313
E. LATE FEES AND INTEREST.....	1313
F. APPLICATION OF PAYMENTS.....	1313
G. METHOD OF PAYMENT.....	1414
4. TRAINING AND ASSISTANCE.....	1414
A. INITIAL TRAINING.....	1414
B. ONGOING TRAINING.....	1616
C. GENERAL GUIDANCE AND CONSULTATION SERVICES.....	1616
D. OPERATIONS MANUAL.....	1717
E. DELEGATION OF PERFORMANCE.....	1717
5. MARKS.....	1818
A. OWNERSHIP AND GOODWILL OF MARKS.....	1818
B. LIMITATIONS ON YOUR USE OF MARKS.....	1818
C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.....	1818

D.	DISCONTINUANCE OF USE OF MARKS.	<u>1919</u>
E.	INDEMNIFICATION FOR USE OF MARKS.....	<u>1919</u>
6.	CONFIDENTIAL INFORMATION.	<u>1919</u>
7.	EXCLUSIVE RELATIONSHIP.....	<u>2121</u>
8.	SYSTEM STANDARDS.....	<u>2222</u>
A.	CONDITION AND APPEARANCE OF THE SHOP.	<u>2222</u>
B.	SHOP MENU, SPECIFICATIONS, STANDARDS AND PROCEDURES.....	<u>2323</u>
C.	APPROVED PRODUCTS, SERVICES, DISTRIBUTORS AND SUPPLIERS.....	<u>2424</u>
D.	COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.....	<u>2525</u>
E.	MANAGEMENT OF THE SHOP/CONFLICTING INTERESTS.....	<u>2525</u>
F.	INSURANCE.....	<u>2626</u>
G.	PRICING.....	<u>2828</u>
H.	DISCOUNTS, GIVEAWAYS AND OTHER PROMOTIONS.....	<u>2828</u>
I.	COMPLIANCE WITH SYSTEM STANDARDS.	<u>2929</u>
J.	MODIFICATION OF SYSTEM STANDARDS.	<u>3030</u>
9.	MARKETING.....	<u>3131</u>
A.	GRAND OPENING ADVERTISING.....	<u>3131</u>
B.	ADVERTISING AND DEVELOPMENT FUND.....	<u>3131</u>
C.	BY YOU.	<u>3333</u>
D.	COOPERATIVE ADVERTISING PROGRAMS.....	<u>3434</u>
10.	RECORDS, REPORTS, AND FINANCIAL STATEMENTS.	<u>3434</u>
11.	INSPECTIONS AND AUDITS.....	<u>3535</u>
A.	OUR RIGHT TO INSPECT THE SHOP.	<u>3535</u>
B.	OUR RIGHT TO AUDIT.....	<u>3636</u>
12.	TRANSFER.....	<u>3636</u>
A.	BY US.....	<u>3636</u>
B.	BY YOU.	<u>3737</u>
C.	CONDITIONS FOR APPROVAL OF TRANSFER.....	<u>3838</u>
D.	TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.	<u>4040</u>
E.	YOUR DEATH OR DISABILITY.....	<u>4040</u>
F.	EFFECT OF CONSENT TO TRANSFER.....	<u>4141</u>
G.	OUR RIGHT OF FIRST REFUSAL.....	<u>4141</u>
13.	EXPIRATION OF THIS AGREEMENT.....	<u>4343</u>
A.	YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.....	<u>4343</u>

B.	GRANT OF A SUCCESSOR FRANCHISE.....	44 44
C.	AGREEMENTS/RELEASES.....	45 45
14.	TERMINATION OF AGREEMENT.....	45 45
A.	BY YOU.	45 45
B.	BY US.....	45 45
C.	OUR ALTERNATE REMEDIES UPON YOUR DEFAULT.	48 48
D.	CROSS DEFAULT.....	49 49
E.	FAILURE TO CURE MAY BE DEEMED TERMINATION BY YOU.....	49 49
F.	ASSUMPTION OF MANAGEMENT.....	49 49
15.	OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.	50 50
A.	PAYMENT OF AMOUNTS OWED TO US.....	50 50
B.	MARKS.	50 50
C.	CONFIDENTIAL INFORMATION.	52 52
D.	COVENANT NOT TO COMPETE.	52 52
E.	OUR RIGHT TO PURCHASE CERTAIN ASSETS OF THE SHOP.....	53 53
F.	CONTINUING OBLIGATIONS.....	54 54
16.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....	54 54
A.	INDEPENDENT CONTRACTORS.	54 54
B.	NO LIABILITY FOR ACTS OF OTHER PARTY.	55 55
C.	TAXES.....	55 55
D.	INDEMNIFICATION.....	55 55
17.	ENFORCEMENT.....	56 56
A.	SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.	56 56
B.	WAIVER OF OBLIGATIONS.....	56 56
C.	COSTS AND ATTORNEYS' FEES.....	57 57
D.	RIGHTS OF PARTIES ARE CUMULATIVE.	57 57
E.	MEDIATION.....	57 57
F.	ARBITRATION.	58 58
G.	GOVERNING LAW.....	60 60
H.	CONSENT TO JURISDICTION.....	60 60
I.	WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.....	60 60
J.	BINDING EFFECT.	61 61
K.	LIMITATIONS OF CLAIMS.....	61 61
L.	CONSTRUCTION.....	61 61
18.	NOTICES AND PAYMENTS.	63 63
19.	COMPLIANCE WITH ANTI-TERRORISM LAWS.....	64 64
20.	ELECTRONIC MAIL.	64 64

21. ELECTRONIC SIGNATURES.....	65 65
--------------------------------	------------------

EXHIBITS

EXHIBIT A	LISTING OF OWNERSHIP INTERESTS
EXHIBIT B	THE PREMISES AND TERRITORY
EXHIBIT C	FRANCHISE ADDENDUM TO LEASE AGREEMENT
EXHIBIT D	NONDISCLOSURE AND NON-COMPETITION AGREEMENT
EXHIBIT E	GUARANTY AND ASSUMPTION OF OBLIGATIONS

DOUGHNUTTERY FRANCHISE, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into by and between **DOUGHNUTTERY FRANCHISE, LLC**, a limited liability company organized under the laws of New York located at 425 West 15th Street, New York, NY 10011 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”) as of the date signed by us and set forth opposite our signature on this Agreement (the “Effective Date”).

1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

A. PREAMBLES.

(1) We and our affiliates have, over a considerable time period and with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the operation of retail businesses offering doughnuts, coffee and other food and beverage products and services (collectively, “Menu Items”). Menu Items are prepared according to our specified recipes and procedures and use high quality ingredients, including all food and beverage items, ingredients, condiments and other products, services and equipment (collectively, the “Proprietary Products”) which now comprise, or in the future may comprise, part of the System (defined below) or our trade secrets which are developed by and are proprietary to us or our affiliates. These retail businesses operate under the “Doughnuttery” name and other Marks (as defined below) (“Doughnuttery Shops”) and have distinctive business formats, methods, procedures, Proprietary Products, signage designs, layouts, standards, and specifications, and the Marks, all of which we may improve, further develop, or otherwise modify at any time and from time to time (collectively, the “System”).

(2) We and our affiliates use, promote, and license certain trademarks, service marks, and other commercial symbols in operating Doughnuttery Shops, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license other trademarks, service marks, and commercial symbols for Doughnuttery Shops (collectively, the “Marks”).

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Doughnuttery Shop using the System and offering the Menu Items and related products and services we authorize.

(4) As a franchise owner of a Doughnuttery Shop, you will comply with this Agreement and all System Standards (defined in Subsection 4.D) in order to maintain the high and consistent quality that is critical to attracting and maintaining customers for Doughnuttery Shops.

(5) You have applied for a franchise to own and operate a Doughnuttery Shop.

B. ACKNOWLEDGMENTS.

You acknowledge:

(1) That you have independently investigated the Doughnuttery Shop franchise opportunity and recognize that, like any other business, the nature of the business a Doughnuttery Shop conducts may, and probably will, evolve and change over time.

(2) That an investment in a Doughnuttery Shop involves business risks that could result in the loss of a significant portion or all of your investment.

(3) That your business abilities and efforts are vital to your success.

(4) That attracting customers for your Shop (as defined in Subsection D below) will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, and display and use of in-shop promotional materials.

(5) That retaining customers for your Doughnuttery Shop will require you to have a high level of customer service and adhere strictly to the System and our System Standards and that you are committed to maintaining System Standards.

(6) That you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Doughnuttery Shop.

(7) That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(8) That you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(9) That you and your guarantors have received as one document at one time a copy of the form of this Agreement, the exhibits hereto, and the applicable complete Franchise Disclosure Document not less than fourteen (14) days prior to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of you relating to this

Agreement, and the franchise associated therewith (except, where applicable, any deposit permitted under applicable law).

(10) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards with respect to every Doughnuttery Shop, and to protect and preserve the goodwill of the Marks.

(11) That we will restrict your sources of Proprietary Products and have the right to restrict your sources of other goods and services as well, as provided in various sections of this Agreement, including Section 8 below.

(12) That we have not made any representation, warranty, or other claim regarding this Doughnuttery Shop franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(13) That you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Doughnuttery Shop franchise opportunity.

(14) That you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or waived your right to do so.

C. **CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.**

If you are at any time a corporation, limited liability company, general or limited partnership, or other form of business entity (each, an "Entity"), then you agree and represent that:

(1) You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(4) Each of your owners during the Term (as defined in Subsection E below) and any Renewal Term (as defined in Subsection E below) will execute a guaranty in the form attached to this Agreement as **Exhibit E** in their individual capacities undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Depending on the creditworthiness of the owners and the community property laws of the states in which they reside, we may require that the spouse of each owner sign a guaranty (regardless of whether you are an Entity). Subject to our rights and your obligations under Section 12, you and your owners agree to promptly sign and deliver to us revisions to **Exhibit A** to reflect any permitted changes in the information that **Exhibit A** now contains;

(5) You will appoint a shareholder, member, or partner, as applicable, to be your “Managing Owner,” who will be responsible for overseeing and supervising the operation of the Shop. The Managing Owner as of the Effective Date is identified in **Exhibit A**. You may not change the Managing Owner without our prior written consent; and

(6) The Shop operated hereunder and other Doughnuttery Shops, if applicable, will be the only businesses you operate (although your owners may have other, non-competitive business interests).

D. GRANT OF FRANCHISE.

You have applied for a franchise to own and operate a Doughnuttery Shop at a location we approve, which will be identified on **Exhibit B** (the “Premises”). Subject to this Agreement’s terms, we grant you a franchise (the “Franchise”) to operate a Doughnuttery Shop (the “Shop”) at the Premises, and to use the System in its operation, for the Term. You may use the Premises only for the Shop. You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote the Shop. You will not have the right to provide delivery to offsite catered locations without our prior written consent, which we may withhold for any reason or no reason in our sole judgment, including the ability to reasonably withhold our consent to allowing you to deliver or cater to customers located in another franchise owner's assigned territory.

E. TERM AND RENEWAL.

(1) **Term.** The term of this Agreement (the “Term”) will begin on the Effective Date and will expire on the tenth (10th) anniversary of the Effective Date, unless this Agreement is sooner terminated as provided herein.

(2) **Renewal Term.** You will have the right, but not the obligation, to enter into Successor Franchise Agreements (as defined in Subsection 13.A below) for up to two (2) additional consecutive franchise terms following the Term (each, a “Renewal

Term”). The duration of each Renewal Term will be five (5) years or as long as you have the right to maintain possession of the Premises, whichever is less, provided that you have complied with the conditions and procedures for renewal in Section 13 of this Agreement in connection with the first Renewal Term, and that you comply in the future with the conditions and procedures for renewal in the Successor Franchise Agreement (as applicable) with respect to the possible second Renewal Term.

F. **YOUR TERRITORIAL RIGHTS.**

If this Agreement is for a Doughnuttery Shop to be located at a traditional location, then before this Agreement is executed, we will describe in **Exhibit B** a particular geographic area surrounding the Premises (the “Territory”). The exact size and boundaries of the Territory shall be determined in our sole judgment. Provided that you are in full compliance with this Agreement, and except as provided in Subsection G below, we and our affiliates will not operate or grant a franchise for the operation of another Doughnuttery Shop at a location within the Territory during the Term.

If this Agreement is for a Doughnuttery Shop to be located at a Captive Site Location, then notwithstanding anything to the contrary set forth in this Section 1 and otherwise in this Agreement, you will not receive an exclusive or protected territory and we retain the right to operate, and to grant others the right to operate, Doughnuttery Shops located anywhere under any terms and conditions we deem appropriate and regardless of proximity to the Shop. “Captive Site Locations” are sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, airports, hotels, school campuses, train stations, travel plazas, and sports stadiums/arenas or entertainment venues.

G. **RIGHTS WE RESERVE.**

Except as expressly limited by Subsection F above, we and our affiliates retain all rights with respect to Doughnuttery Shops, the Marks, the sale of identical, similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. Specifically, but without limitation, we reserve the following rights:

(1) the right to operate, and to grant others the right to operate, Doughnuttery Shops located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Shop;

(2) the right to establish and operate, and to grant to others the right to establish and operate businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at any locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;

(3) the right to provide, offer and sell and to grant others the right to provide, offer and sell products and services that are identical or similar to and/or competitive with those products and services provided at Doughnuttery Shops, whether identified by the

Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the internet or similar electronic media, shop-in-shops, supermarkets and department stores) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(4) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(5) the right to market and sell products and services to national, regional and institutional accounts, whether located inside or outside the Territory. “National, regional and institutional accounts” are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory;

(6) the right to operate, and to grant others the right to operate Doughnuttery Shops at Captive Site Locations within and outside the Territory on any terms and conditions we deem appropriate;

(7) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Doughnuttery Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchise owners or licensees of these businesses) are located or operating (including in the Territory); and

(8) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services the same as or similar to those provided at Doughnuttery Shops, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory.

H. MODIFICATION OF SYSTEM.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best, to vary System Standards (defined below) for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner’s successful operation. You have no right to require us to grant you a similar variation or accommodation.

I. **NATIONAL, REGIONAL AND INSTITUTIONAL ACCOUNTS.**

Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities or projects within your Territory). If we receive contracts for any Doughnuttery products and/or services calling for performance or delivery in your Territory as a result of our engaging in commerce with national, regional and institutional accounts, then we will have the right, but not the obligation, either to require you to fulfill such contracts at the price we agree on with the client or to give you the opportunity to fulfill such contracts at the price we agree on with the client. If we give you the opportunity to fulfill such contracts and if, for any reason, you do not desire to or cannot serve the client, or if the client desires for any or no reason to deal exclusively with us, our affiliate or another franchise owner and not with you, then we, our affiliate or any other Doughnuttery Shop may serve the client within your Territory, and you will not be entitled to any compensation. The procedures governing our national, regional and institutional accounts program are set forth in our Operations Manual.

2. **SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF SHOP.**

A. **SITE SELECTION.**

If we have approved a location for the Shop before the execution of this Agreement, the Premises will be set forth on **Exhibit B**. If we and you have not agreed upon an approved location for the Shop before signing this Agreement, then you are responsible for selecting a suitable site for the Shop. You agree to submit a proposed site plan, space plan, site approval request package and related materials in the form that we designate and obtain our written approval of the Shop's proposed site before signing any lease, sublease, or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. We will not unreasonably withhold our approval of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics.

You agree to send us a description of the proposed site, including a summary of the items listed above, along with a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We will use reasonable efforts to approve or disapprove the proposed site within thirty (30) days after receiving your written proposal and all required supporting information. Notwithstanding our time to review and approve or disapprove any site you propose, you must have submitted and received our approval of an acceptable site no later than sixty (60) days after the Effective Date, or we may terminate this Agreement (at our option) pursuant to Section 14 below. Upon our approval of a site, and after you secure the site, we will insert its address into **Exhibit B**, and it will be the Premises. You may operate the Shop only at the Premises.

You acknowledge and agree that, if we suggest, approve, or give you information regarding a site for the Premises, our action is not a representation or warranty of any kind, express or implied, of the site's suitability for a Doughnuttery Shop or any other purpose. Our action indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that has appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we suggest or approve for the location of a Doughnuttery Shop fails to meet your expectations. Accordingly, you acknowledge and agree that your acceptance of the Franchise pursuant to this Agreement is based on your own independent investigation of the site's suitability for the Premises.

B. LEASE OF PREMISES.

You must submit a proposed lease, sublease or other rental agreement for the Premises (each a "Lease") for our approval before you sign it within thirty (30) days after we approve the site for the Premises, and in any case no later than ninety (90) days after the Effective Date, or we may terminate this Agreement (at our option) pursuant to Section 14.B below. Any and all Leases that you propose or enter into must: (i) be in a form and contain substance we approve, and (ii) include our form of addendum to lease agreement attached hereto as **Exhibit C** (the "Lease Addendum") containing certain required terms and provisions applicable to the Lease. You must deliver to us fully-signed copies of the Lease and Lease Addendum, as approved by us, within seven (7) days after their execution. You also agree to sign, and have the landlord sign, any other document(s) we deem necessary to record our interest in the Premises in public real estate indices and elsewhere to protect our interests.

You acknowledge that our approval of the Lease (including the Lease Addendum, for purposes of the remainder of this Subsection 2.B) does not constitute a guarantee, warranty, or representation of any kind, whether express or implied, as to the Lease's fairness or suitability, your ability to comply with its terms, or the success or profitability of a Doughnuttery Shop operated at the Premises. Our approval of the Lease indicates only that we believe that the Premises and the Lease terms meet our then acceptable criteria. We do not, by virtue of approving the Lease, assume any liability or responsibility to you or to any third party. You may not modify the Lease if any proposed modification would impact our rights as a third-party beneficiary of provisions of the Lease.

If the Lease expires or is terminated without your fault, or if the site for the Premises is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the Shop to a new site acceptable to us. You must locate a substitute site, and begin operating the Shop from that substitute site, within one hundred eighty (180) days after you lose the right to occupy the Premises. Any other relocation of the Shop may only occur if we provide our prior written approval, which we may withhold for any or no reason. Any relocation will be at your sole expense, and we may charge you for the reasonable costs we incur, plus a reasonable fee we then specify for our services, in connection with any relocation of the Shop.

We reserve the right (but we have no obligation) to enter into a master lease for the Premises (or a substitute site you propose), whether directly or through an affiliate, and sublease the Premises (or any substitute site you propose) to you upon mutually agreeable terms regarding fees, rent and deposits. You acknowledge that any master lease that we or our affiliate may enter into for the Premises (or a substitute site you propose) shall neither give rise to any liability on our part (or that of our affiliates), nor shall such master lease be construed as an express or implied warranty to you regarding the viability, profitability or merit of the Premises (or a substitute site you propose) for your Shop. You further acknowledge that you shall not be a third party beneficiary of the master lease and that we do not make any representations or guarantees regarding the commercial terms of the master lease, including, but not limited to, the rent. If we or our affiliate sublease the Premises (or a substitute site you propose) to you, you agree to execute our then current form of sublease, as may be modified or amended by us.

C. **SHOP DEVELOPMENT.**

You are responsible for developing the Shop. We will give you mandatory and suggested specifications and layouts for a model Doughnuttery Shop, including requirements for dimensions, design, image, interior layout, decor, materials, equipment, signage, graphics, lighting and color schemes. We reserve the right to change these requirements and specifications from time to time as we see fit in our sole and absolute discretion. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

You are required to submit to us all final plans, drawings and specifications for our review and written approval before you begin constructing the Shop. You are also required to submit for our review and written approval all revised or “as built” plans and specifications during construction. We may require you to use an approved or designated architect and/or general contractor (which may include or be limited to us and/or our affiliates) to design and construct the Shop, and we reserve the right to require you to submit to us all contractor bids you receive related to the Shop for the purpose of recording and benchmarking total construction costs for the future benefit of other franchise owners and all Doughnuttery Shops. Any general contractor or other builders you use must maintain builder’s and/or contractor’s insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us, pursuant to Subsection 8.F below. Because our review is limited to ensuring your compliance with our design requirements, it might not assess compliance with federal, state, or local laws and regulations, including the ADA. Accordingly, you recognize and acknowledge that compliance with these laws is your responsibility. We may inspect the Premises while you are developing the Shop.

You agree to do the following, at your own expense, to develop the Shop at the Premises:

- (1) secure all financing required to develop and operate the Shop;
- (2) obtain all required building, utility, sign, health, sanitation, business, and other permits and licenses;
- (3) construct all required improvements to the Premises and decorate the Shop according to approved plans and specifications;
- (4) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;
- (5) purchase or lease, from required or recommended suppliers, and install, if applicable, according to our specifications, all required fixtures, furniture, vehicles (if we allow you to provide delivery and catering services), equipment (including a required or recommended computer, facsimile, point-of-sale, and other electronic information systems and all equipment components and software necessary for you to accept and process our gift and loyalty cards and participate in our gift card, customer loyalty, affinity, and similar programs), furnishings, and signs (collectively, "Operating Assets") for the Shop; and
- (6) purchase an opening inventory of authorized and approved Proprietary Products, other products, materials, and supplies to operate the Shop.

D. OPERATING ASSETS.

You agree to use in operating the Shop only those Operating Assets that we approve for Doughnuttery Shops as meeting our specifications and standards for quality, design, appearance, function, and performance. You may not install or otherwise operate at the Premises any unauthorized vending or lotto machines. You agree to place or display at the Premises (interior and exterior) and on delivery/catering vehicles (if applicable) only the signs, emblems, lettering, logos, and display materials that we approve at any time and from time to time. You agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

E. COMPUTER SYSTEM.

You agree to obtain and use the computer hardware and/or operating software (including point-of-sale equipment and software) we specify at any time and from time to time (the "Computer System"). We may modify specifications for and components of the Computer System. You also agree to maintain a functioning e-mail address. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although

these costs might not be fully amortizable over this Agreement's remaining Term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

You agree that we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We, our affiliates, or designated suppliers may charge you a monthly or other fee for any proprietary software or technology that we or they license to you and for other maintenance and support services that we or they may require you to receive during the Term.

Despite the fact that you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

We reserve the right to connect remotely to your Computer System at any time for any information and you shall never block or restrict that access.

You hereby consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchise owners, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or disclosed to us, whether by means of the Computer System or otherwise, in accordance with this Agreement. You will obtain such consents from third parties, including your customers, as are necessary in order to give effect to the foregoing.

F. SHOP OPENING.

You must notify us in writing of the Shop's opening date at least thirty (30) days prior to the opening of the Shop. We reserve the right to inspect the Shop at any time prior to opening. You agree not to open the Shop until:

(1) we notify you in writing that the Shop meets our standards and specifications and you provide us with evidence of business licenses, permits, inspections and other similar items as we request (although our acceptance of the Shop is not a representation or warranty, express or implied, that the Shop complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules,

regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(2) you (or your Managing Owner) and your other employees satisfactorily complete training;

(3) you pay any amounts then due to us; and

(4) you give us certificates for all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we may request.

Subject to your compliance with these conditions, you agree to open the Shop for business within one hundred eighty (180) days after the Effective Date of this Agreement, and you acknowledge that your failure to open timely shall be grounds for termination as set forth in Section 14 below.

3. FEES.

A. INITIAL FRANCHISE FEE.

(1) In consideration of our granting you the Franchise, you agree to pay us a nonrecurring and, except as specifically provided in this Agreement, nonrefundable initial franchise fee (the “Initial Franchise Fee”) equal to Thirty Thousand Dollars (\$30,000), inclusive of any credits of prior paid application fee(s). This fee is due, and fully earned by us, when you sign this Agreement.

(2) You may be eligible to receive a refund of up to fifty percent (50%) of amounts you have paid to us for the Initial Franchise Fee in any one of the following circumstances:

(i) if your required attendees to our initial training program cannot complete initial training to our satisfaction, then we may terminate this Agreement (at our option), and receive from you a signed release of claims in a form we prescribe; or

(ii) you are unable to obtain all governmental approvals, licenses, permits or other required authorizations necessary to open and operate the Shop lawfully by the scheduled opening date, then we may terminate this Agreement (at our option), and receive from you a signed release of claims in a form we prescribe.

B. CONTINUING SERVICE AND ROYALTY FEE.

You agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), a Continuing Service and Royalty Fee equal to six percent (6%) of the Shop’s Gross Sales (defined in Subsection 3.D below) for the previous month (the “Royalty”). On or before the tenth (10th) day of each month, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the Shop’s Gross Sales for the preceding month.

Each statement of Gross Sales must be accompanied by the Royalty due for the preceding month, if not already otherwise paid for the month pursuant to this Agreement.

Commencing immediately upon the date the Shop commences operations, the Royalty you pay us will be subject to a minimum royalty of One Thousand Dollars (\$1,000) for each month (the “Minimum Royalty Fee”). Within three (3) business days after the end of each monthly period, you must pay us the difference, if any, between (i) the Minimum Royalty Fee and (ii) the Royalty you actually paid us during the immediately preceding month.

C. **ADVERTISING AND DEVELOPMENT FUND CONTRIBUTION.**

If we notify you that we are instituting the Fund (defined in Subsection 9.B below), you agree to contribute to the Fund (as defined in Subsection 9.B below) on or before the tenth (10th) day of each month two percent (2%) of the Shop’s Gross Sales per month. The Fund contributions will be administered and used as set forth in Subsection 9.B below.

D. **DEFINITION OF “GROSS SALES”.**

As used in this Agreement, the term “Gross Sales” means all revenue that you derive from operating the Shop, including, but not limited to, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions and all other income of every kind and nature related to the Shop (including, without limitation, revenues and income you receive from the proceeds of any business interruption insurance policies), but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Shop in good faith gives to customers.

E. **LATE FEES AND INTEREST.**

All amounts which you owe us or our affiliate for any reason, will bear interest accruing as of their original due date at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be the higher of eighteen percent (18%) and interest calculated at the rate of four percent (4%) above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal. We may debit your bank account automatically for late fees and interest. You acknowledge that this Subsection 3.E is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Shop.

F. **APPLICATION OF PAYMENTS.**

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

G. METHOD OF PAYMENT.

Before the Shop opens, you agree to sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty, Fund contributions, and other amounts due under this Agreement and for your purchases from us and/or our affiliates (the “Electronic Depository Transfer Account” or “EDTA”). We will debit the EDTA for these amounts on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. If there are insufficient funds in the EDTA to cover any such amount owed (or, if you are paying by check and a check is returned for insufficient funds), you must pay us, on demand, a processing fee of Two Hundred Dollars (\$200), plus reimbursement of our additional administrative expenses and charges. If there are insufficient funds in the EDTA, or if your check is returned for insufficient funds, then we may require you to make all subsequent payments to us by certified check.

If you fail to timely report the Shop’s Gross Sales and other required financial information, we may debit your EDTA for two hundred twenty percent (200%) of the last Royalty and Fund contribution, as applicable, that we debited (together with the late fee noted in Subsection 3.E above). If we discover, once we have determined the Shop’s true and correct Gross Sales, that the amounts we debited from your EDTA are less than the amounts you actually owe us, then we will debit your EDTA for the remaining balance on the day we specify. Conversely, if we discover that the amounts we debited from your EDTA are greater than the amounts you actually owe us, then we will credit an amount equal to: (i) the excess against the amounts we otherwise would debit from your EDTA during the following month, (ii) less a two percent (2%) administrative fee on that excess amount that we will retain for having to conduct this process due to your failure to report.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (*e.g.*, by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

4. TRAINING AND ASSISTANCE.

A. INITIAL TRAINING.

(1) If this is your first Doughnuttery Shop, then before the Shop is scheduled to open for business, at no additional charge to you, we will train you (or, if you are an Entity, your Managing Owner), the manager-level employee you appoint (“Shop Manager”) and one additional attendee on the material aspects of operating a Doughnuttery Shop. Because we believe that a person with an equity interest can best ensure that our standards of quality and competence are maintained, we recommend that your Managing Owner serve as the Shop Manager. These persons must begin the initial training (excluding the on-site support phase described below in this Subsection 4.A) no more than six (6) weeks before the Shop’s scheduled opening date, and must complete the initial training to our satisfaction at least two (2) weeks before the Shop opens.

(2) We will provide the initial training program at a designated training facility of our choice in New York, New York, except for the on-site support phase around opening that we will provide at the Premises (as discussed below in this Subsection 4.A).

(3) Additional people beyond three (3) attendees may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional person, not to exceed Five Hundred Dollars (\$500) per person. We reserve the right to refuse to provide training to any additional attendees for whom we have not received the relevant training fee. In addition to the initial training program fees, you also agree to pay for all travel and living expenses that you (or your Managing Owner) and any of your personnel incur, all accrued wages, and related workers' compensation insurance while these persons train at a designated training facility of our choice in New York, New York.

(4) You (or your Managing Owner) and your Shop Manager must satisfactorily complete initial training. If we determine that you (or your Managing Owner) and/or your Shop Manager cannot complete initial training to our satisfaction, we may terminate this Agreement. In that case, you will be eligible to receive up to a fifty percent (50%) refund of any initial franchise fee specified under Subsection 3.A above that you have already paid if you sign our required form of release of claims.

(5) You (or your Managing Owner) may request additional training at the end of the initial training, to be provided at our then current per diem charges, if you (or your Managing Owner) feel that you or any of your attendees are not sufficiently trained to operate a Doughnuttery Shop. We and you (or your Managing Owner) will jointly determine the time and duration of this additional training. However, if you (or your Managing Owner) and the other attendees satisfactorily complete our initial training program and you do not expressly inform us at the end of the program that you (or your Managing Owner) or other attendees do not feel sufficiently trained in the operation of a Doughnuttery Shop, then you (or your Managing Owner) and all other attendees to the initial training program will be deemed to have been trained sufficiently to operate a Doughnuttery Shop.

(6) When the Shop is preparing to open for business, you may, upon thirty (30) days' advance written notice to us, request that we send a representative to the Shop for up to seven (7) days to provide on-site support in connection with pre-opening and opening activities. This on-site support is not guaranteed and will be provided based on the availability of our trainers and other circumstances. If you request and we can provide such support, you must pay all required fees for such support and reimburse us our costs for providing on-site support, including trainer salaries and all reasonable travel and living expenses that we incur in connection with providing this on-site support at the Shop.

B. ONGOING TRAINING.

In addition to the on-site training described in Subsection 4.A above, we may require you (or your Managing Owner) and/or other previously trained and experienced employees to attend and complete satisfactorily various training courses that we periodically choose to provide either online or in-person at the times and locations that we designate. We may charge reasonable registration or similar fees for these courses. We will not require in-person attendance for more than a total of ten (10) days during a calendar year. Besides attending these courses, you agree to attend an annual meeting of all Doughnuttery Shop franchise owners at a location we designate, if we organize and plan (at our option) such a meeting. Attendance will not be required for more than three (3) days, not including travel time, during any calendar year. You agree to pay all costs to attend these online or in-person training courses and meetings.

We may require that any Shop Managers you hire or appoint after your Shop opens for business satisfactorily complete our initial and ongoing training programs. We may charge reasonable fees for training Shop Managers, not to exceed Five Hundred Dollars (\$500) per person for the initial training program and \$500 per person, per week for ongoing training programs. You agree to pay all travel and living expenses which you and your employees incur during all training courses and programs.

You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify at any time and from time to time.

C. GENERAL GUIDANCE AND CONSULTATION SERVICES.

We will advise you at any time and from time to time regarding the Shop's operation based on your reports or our inspections, audits and/or evaluations of your franchise's training methods, techniques, equipment, staff and services rendered to its customers. We will also guide you with respect to: (1) standards, specifications, and operating procedures and methods that Doughnuttery Shops use; (2) purchasing required and authorized Operating Assets, Proprietary Products, Menu Items, and other items and arranging for their distribution to you; (3) advertising and marketing materials and programs (including reviewing and approving or disapproving those materials); (4) employee training; and (5) administrative, bookkeeping, accounting, and inventory control procedures.

We will guide you in our operations manual (the "Operations Manual"); in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our office or the Shop. If you request, and we agree to provide (subject to our availability), additional or special guidance, assistance, or training, you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

If you request, and we agree to provide (subject to our availability) either (i) additional guidance, assistance, or training, or (ii) specialized Consultation Services, then you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living

expenses. For purposes of this Agreement, “Consultation Services” may include any advice related to the operation of your Shop, on-site reviews of your operations and additional training as needed, on-site training for you (or your Managing Owner), Shop Managers, or any of your other personnel, and other specialized assistance.

D. OPERATIONS MANUAL.

We will provide you access during the Term to one (1) copy of our Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules (“System Standards”) that we periodically prescribe for operating a Doughnuttery Shop and information on your other obligations under this Agreement. We may modify the Operations Manual periodically, in our sole judgment, to reflect changes in System Standards. For purposes of this Agreement, all written instructions or communications we or our affiliates provide to all, or a substantial number of, Doughnuttery Shop franchise owners concerning aspects or modifications to the System shall be deemed part of the Operations Manual.

You agree to keep your copy of the Operations Manual current and in a secure location at the Shop. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual’s contents are confidential and that you will not disclose the Operations Manual to any person other than Shop employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy at our then applicable charge.

At our option, we may post some or all of the Operations Manual on a restricted Website or extranet to which you will have access. (For purposes of this Agreement, “Website” means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the internet and World Wide Web home pages). If we do so, you agree to monitor and access the Website or extranet for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a Website or extranet will be deemed to be part of Confidential Information (defined in Section 6 below).

E. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5. MARKS.

A. OWNERSHIP AND GOODWILL OF MARKS.

Our affiliate, Doughnuttery Inc., owns and has licensed the Marks to us to use, and to sublicense others to use, in connection with the franchising, development, and operation of Doughnuttery Shops. Therefore, you agree and acknowledge that the Marks are ours (or our affiliate's) exclusive property, and that we are granting you a license (or sublicense, as applicable) to use the Marks in connection with the Shop's development and operation. Your right to use the Marks is derived only from this Agreement and is limited to your operating the Shop according to this Agreement and all System Standards we prescribe during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our and/or our affiliate's rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and/or our affiliate's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Shop under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after the Term and any Renewal Term contest, or assist any other person in contesting, the validity, or our and/or our affiliate's ownership, of the Marks.

B. LIMITATIONS ON YOUR USE OF MARKS.

You agree to use the Marks as the Shop's sole identification, except that you agree to identify yourself as its independent owner in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, social media site page, group or post, electronic address, or otherwise in connection with a Website (other than our Website), or (5) in any other manner that we have not expressly authorized in writing.

You may not use any Mark in advertising the transfer, sale, or other disposition of the Shop or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Shop and on forms, advertising, supplies, and other materials we designate. You agree to use the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise

concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS.

If, in our sole judgment, it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Shop's signage, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Subsection 5.D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages and reasonable expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. CONFIDENTIAL INFORMATION.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating Doughnuttery Shops, including (without limitation):

- (1) site selection criteria and layouts, designs and other plans and specifications for Doughnuttery Shops;
- (2) ingredients, recipes and related information concerning any food items as part of the Menu Items;
- (3) training and operations materials and manuals;
- (4) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Doughnuttery Shops;
- (5) marketing, promotional and advertising research and programs for Doughnuttery Shops;

(6) knowledge of specifications for and suppliers of Operating Assets, Proprietary Products, and other products and supplies, including supplier pricing and related terms;

(7) any computer software or similar technology which is proprietary to us or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(8) knowledge of the operating results and financial performance of Doughnuttery Shops other than the Shop;

(9) graphic designs and related intellectual property;

(10) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs;

(11) all data and other information generated by, or used in, the operation of the Shop, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the Computer System or that visitors to the Shop (including you and your personnel) provide to the Website for the network of Doughnuttery Shops;

(12) future business plans relating to Doughnuttery Shops and the Doughnuttery franchise opportunity, including expansion and development plans; and

(13) any other information that we reasonably designate as confidential or proprietary.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Shop during the Term and any Renewal Term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you:

(a) will not use Confidential Information in any other business or capacity;

(b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Term and any Renewal Term and then thereafter for as long as the item is not generally known in the food-service industry;

(c) will not sell, trade or otherwise profit in any way from the Confidential Information (including by selling or assigning any customer names, addresses, phone numbers, e-mail contact information, or related data), except using methods that we may have authorized or approved in our sole judgment;

(d) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and

(e) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Shop personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights. The current form of Nondisclosure and Non-Competition Agreement is attached as **Exhibit D**.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the food-service industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the food-service industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

All ideas, concepts, techniques, or materials relating to a Doughnuttery Shop, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, by this paragraph you hereby assign ownership of that item, and all related rights to that item, to us, hereby waive all moral rights in that item, and hereby agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item (including signing assignment or other documents, and causing your owners, employees and contractors to do the same). You may not use any such idea, concept, technique or material in connection with the Shop without our prior approval.

7. EXCLUSIVE RELATIONSHIP.

You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term and any Renewal Term, neither you, any of your owners, nor any of your or your owners' spouses will:

(a) have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, representative, agent, or vendor for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any actual or potential business or customer of the Shop to a Competitive Business;

(d) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee, agent or vendor of any Competitive Business, wherever located or operating; or

(e) engage in any other activity which, in our sole opinion, might injure the goodwill of the Marks and System.

The term "Competitive Business" means (i) any restaurant or other retail or wholesale business which derives more than five percent (5%) of its revenue from selling doughnuts, baked goods, ice cream, frozen yogurt, pretzels and similar sweets and/or snacks and/or coffee, coffee-based mixed beverages, smoothies and similar sweet or fruit based drinks or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Doughnuttery Shop operated under a franchise agreement with us).

You agree to have all of the following persons sign, and you will submit to us executed copies of, our then current form of Nondisclosure and Non-Competition Agreement from all of the following persons: (i) your Shop Manager and any supervisory or other employees who have received or will receive training from us; (ii) if you are an Entity, all your officers, directors, shareholders, partners, members and owners, and those of any Entity directly or indirectly controlling you, concurrent with the execution of this Agreement, or at such time as they assume such status; and (iii) all of the persons enumerated in this Section 7 and Subsection 15.D below. You agree to provide us copies of all executed Nondisclosure and Non-Competition Agreements no later than ten (10) days following their execution.

8. SYSTEM STANDARDS.

A. CONDITION AND APPEARANCE OF THE SHOP.

You agree that:

(1) you will maintain the condition and appearance of the Shop, its Operating Assets and the Premises in accordance with System Standards and consistent with the image of a Doughnuttery Shop and in observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the Term: (1) thorough cleaning, repainting, and redecorating of the interior and exterior of the Premises at intervals we prescribe; (2) interior and exterior repair of the Premises; (3) maintenance and alteration of the interior and exterior of the Premises to satisfy health and safety requirements; and

(4) repair, maintenance or replacement of damaged, non-functioning, worn out or obsolete Operating Assets or other equipment;

(2) you will place or display at the Premises (interior and exterior) only those signs (including neon), emblems, designs, artwork, lettering, logos, and display and advertising materials that we at any time and from time to time approve;

(3) if at any time we determine, in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises of the Shop or its fixtures, furnishings, equipment or signs does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If (i) within twenty-four (24) hours after you received our notice in the case of a deficiency of a health, safety, or sanitary law, ordinance or regulation or (ii) within ten (10) days after you received our notice in the case of any other deficiencies, you do not initiate action to correct the deficiency and then continue in good faith and with due diligence, a bona fide program to complete the correction of the deficiency, we have the right, in addition to all other remedies, to enter the Premises or the Shop and do any required maintenance or refurbishing on your behalf. You must reimburse us on demand for all costs and expenses we incur in connection with such maintenance and refurbishment; and

(4) once every seven (7) years, on notice from us, you agree to remodel, expand, redecorate, reequip and/or refurbish the Premises and the Shop at your expense to reflect changes in the operations of Doughnuttery Shops which we prescribe and require of new franchise owners. You agree to diligently complete such renovation within a reasonable time after commencing the work.

B. SHOP MENU, SPECIFICATIONS, STANDARDS AND PROCEDURES.

You agree that: (1) the Shop will offer for sale all Menu Items and other products and services that we specify at any time and from time to time, and, with respect to any food items, will only use ingredients, recipes and methods of food preparation we have specified or approved; (2) the Shop will offer and sell approved products and services only in the manner we have prescribed; (3) you will not offer for sale or sell at the Shop, the Premises or any other location any products or services we have not approved in writing in advance; (4) all products will be offered and sold only at retail and from the Premises (subject to off-site marketing or sales activities we must specifically approve) and you will not offer or sell any products at wholesale or on the internet; (5) you will discontinue selling and offering for sale any products or services that we at any time decide (in our sole judgment) to disapprove in writing ; and (6) you will advertise to, and solicit customers for, the Shop only within the Territory and will not operate the Shop outside the Territory (except that, provided we have pre-approved the Shop to provide delivery or catering services, you may cater or deliver Menu Items to customers outside the Territory if the customers contact you or the Shop and the customers are not located in the assigned territory of another franchise owner).

If we approve you to offer delivery and/or catering services in connection with the Shop, you must make accommodations for delivery and/or catering services in compliance with our

System Standards set forth in the Operations Manual or otherwise in writing by us, including without limitation, utilizing only the specified designated delivery and/or catering service providers we identify, making available the Menu Items identified as appropriate for delivery and/or catering (and only those designated Menu Items), and limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing. You acknowledge and agree that any delivery and/or catering area we specify is not exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the delivery and/or catering area without any restrictions (including allowing other Doughnuttery Shop franchisees and delivery and/or catering service providers to provide delivery and/or catering services in the delivery and/or catering area). You further acknowledge and agree that any delivery and/or catering area we specify is nothing more than the geographic boundaries in which you may deliver and/or cater those Menu Items approved for delivery and/or catering from the Shop, and no other rights are granted to you whatsoever.

C. **APPROVED PRODUCTS, SERVICES, DISTRIBUTORS AND SUPPLIERS.**

We have developed or may develop standards and specifications with respect to certain products and services and with respect to certain types, models and brands of required Operating Assets, Menu Items, Proprietary Products, and related products, ingredients, materials and supplies. We reserve the right at any time and from time to time to approve specifications or suppliers and distributors of the above or other products and services that meet our reasonable standards and requirements. If we do so, you agree to purchase only such products and services meeting those specifications, and if we require it, only from distributors and other suppliers we have approved, including or limited to ourselves or our affiliates.

We may limit the number of approved distributors or suppliers (collectively “suppliers”) with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service.

We and our affiliates may mark up and profit on the sale of goods or services to you and/or receive payments, rebates, or other material consideration from suppliers on account of such suppliers’ dealings with us, you and other franchise owners, and may keep or use any amounts so received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, years in business, capacity of the supplier or distributor, or other criteria and may be temporary, pending our continued evaluation of the supplier or distributor at any time and from time to time.

If you would like to purchase any items from any unapproved supplier or distributor, you must submit to us a written request for approval of the proposed supplier or distributor. We have the right to inspect the proposed supplier’s or distributor’s facilities, and to require product

samples from the proposed supplier or distributor to be delivered at our option either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier or distributor must pay us a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We have no obligation to approve any new supplier, product, or service you propose. We reserve the right to periodically re-inspect the facilities and products of any approved supplier or distributor and to revoke our approval if the supplier or distributor does not continue to meet any of our criteria.

You must use only the recipes, techniques and products which meet our current requirements and specifications in the preparation of any food items that we require as part of the Menu Items served and sold by your Shop. You may only use those containers, cartons, bags, boxes, napkins, and other paper goods and packaging with our Marks or other design specifications which meet our current requirements and quality standards for Doughnuttery Shops.

D. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Shop and must operate the Shop in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, food safety, menu labeling, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Shop must in all dealings with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Doughnuttery Shops. You must notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Shop and of any notice of violation of any law, ordinance, or regulation relating to the Shop.

E. MANAGEMENT OF THE SHOP/CONFLICTING INTERESTS.

The Shop must at all times be under the full-time direct, on-premises supervision of you (or your Managing Owner), or your Shop Manager, either of whom must have successfully completed the initial training program that we describe above in this Agreement. You shall take such steps as are necessary to ensure that any and all of the Shop's employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; meet all dress codes including, without limitation, uniforms, hats, aprons, name tags, etc.; and meet such minimum standards as we may establish from time to time in the Operations Manual or otherwise in writing. You and your employees shall handle all customer complaints, refunds, returns, and other adjustments in a manner that will not detract from the name and goodwill of the Marks, the System or us.

We reserve the right to approve or disapprove of any Shop Manager you appoint. If we disapprove of any Shop Manager you propose, you must promptly appoint a replacement Shop Manager satisfactory to us. If your relationship with a Shop Manager terminates for any reason, then you must promptly appoint a replacement Shop Manager that meets our approval. Even if you appoint a Shop Manager for day-to-day operations, you (or your Managing Owner) must remain active in overseeing the Shop's ongoing business activities. If you (or your Managing Owner) own more than one Doughnuttery Shop, then each such Doughnuttery Shop must be under the full-time, direct on-premises supervision of a Shop Manager we have approved and the supervision of you (or your Managing Owner).

Besides you (or your Managing Owner) or the Shop Manager, the Shop must at all times have a sufficient number of personnel on staff to operate the Shop in accordance with our then current System Standards.

You (or your Managing Owner) must keep us informed at all times of the identity of the Shop Manager, and ensure that such personnel are competent and proficient in their duties. You (or your Managing Owner) are solely responsible for all employment decisions for the Shop, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects.

F. INSURANCE.

During the Term you must maintain the following categories of insurance coverage in force at your sole expense, all containing the minimum liability coverage we prescribe at any time and from time to time in the Operations Manual (unless otherwise indicated below):

(1) Broad form comprehensive public liability, general liability, product liability, and contractual liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Shop's operation;

(2) All risk or special form coverage on your Premises, including boiler and machinery coverage extending to all improvements and alterations, trade fixture, and business personal property having adequate limits to replace all that is damaged as caused by, or occurring in connection with, the Shop's operation;

(3) Business interruption insurance to cover the rent of the Premises, previous profit margins, maintenance of competent personnel and other fixed expenses for the duration of the interruption to your Shop's operation;

(4) If any vehicle is used (whether owned, non-owned, leased or hired) in connection with the operation of the Shop, motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Shop's operation;

(5) Worker's compensation (including occupational disease) in accordance with the law and including other states endorsement where legally required and commercially appropriate;

(6) Employer's liability insurance;

(7) Unemployment insurance and state disability insurance (as required by governing law) for your employees;

(8) In connection with any construction, refurbishment, and/or remodeling of the Shop, builder's and/or contractors insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us;

(9) Umbrella or excess liability insurance providing coverage excess of the underlying general liability, motor vehicle liability and employer's liability insurance above;

(10) Insurance coverage of such type, nature and scope sufficient to satisfy your indemnification obligations under Subsection 16.D below; and

(11) Any additional insurance required by your lessor or master lessor.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable employment practices liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Required coverage shall include insurers' waiver of subrogation against us and you shall waive rights of recovery against us.

These insurance policies must be obtained from responsible insurance carriers acceptable to us which possess an AM Best rating of no less than "A- VII" and are authorized to do business in the state(s) in which your Shop is located. All policy forms must provide coverage at least as broad as the current form promulgated by the Insurance Services Office ("ISO"). If no such form is available the policy is subject to our approval. These insurance policies must name us, any affiliates we designate, and the Indemnified Parties (as defined in Subsection 16.D below) as additional named insureds for claims arising from the Shop's operation and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. These insurance policies must be primary to and without right of contribution from any other insurance policy purchased by us or any other Indemnified Party; must not limit or reduce coverage for you if there is a claim by us or any one or more of the other Indemnified Parties; must not contain a self-insured retention; must not contain a deductible in excess of \$25,000; must make satisfaction of any/all deductibles your sole responsibility; and must extend to and provide indemnity for all of your indemnification obligations to us and the other Indemnified Parties under this Agreement. You agree not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend your insurance policies without our prior written consent. If there is a claim by us or any one or more of the other Indemnified Parties against

you, you must, upon our request, assign to us all rights which you then have or thereafter may have with respect to the claim against the insurer(s) providing the coverages described above.

You must provide us with copies of your Certificates of Insurance or other evidence we require evidencing the required coverages no later than ten (10) days before you commence operations at your Shop. You must furnish us, on an annual basis, copies of your Certificates of Insurance or other evidence we require of your maintaining this insurance coverage and paying premiums. You must furnish us the original policies evidencing all such insurance coverages within five (5) days of our written request. You agree to renew all policies and documents, and to furnish us copies of renewal Certificates of Insurance or other evidence we require of your maintaining this insurance coverage and paying premiums prior to the expiration date of the policy.

If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Shop on your behalf, in which event you shall cooperate with us and reimburse us our costs and expenses to arrange the missing coverage (e.g., unpaid premiums and related costs, non-compliance fees and late charges, plus a reasonable administrative charge). If we obtain such insurance for you and the Shop on your behalf, you must furnish all information necessary to obtain and maintain such insurance within fifteen (15) days of our request.

G. PRICING.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered by your Shop; recommending retail prices; advertising specific retail prices for some or all products or services sold at your Shop; requiring you to participate in marketing, promotional and related campaigns which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Shop may charge the public for the products and services it offers. We may engage in any such activity either periodically or throughout the Term. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchise owners and not others. You acknowledge that the prices we prescribe or suggest may or may not optimize the revenues or profitability of your Shop and you irrevocably waive any and all claims arising from the establishment or suggestion of your Shop's retail prices.

H. DISCOUNTS, GIVEAWAYS AND OTHER PROMOTIONS.

You acknowledge and agree that periodic discounts, giveaways and other promotions are an integral part of the System. Therefore, you agree to offer and participate in any required discounts, giveaways and other promotions at your sole cost and expense, in accordance with our specifications. You further agree to honor the discounts, giveaways and other promotions

offered by other Doughnuttery Shop franchise owners under any such program we establish, as long as such compliance does not contravene any applicable law, rule or regulation.

I. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining the Shop according to System Standards are essential to preserve the goodwill of the Marks and all Doughnuttery Shops. Therefore, you agree at all times to operate and maintain the Shop according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's or the Shop's best interests. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you retain the right to and responsibility for the day-to-day management and operation of the Shop and implementing and maintaining System Standards at the Shop.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Subsections 8.A through 8.H above:

(1) purchase, storage, preparation, handling, and packaging procedures and techniques for Menu Items and Proprietary Products; and inventory requirements for Proprietary Products and other products, services and supplies so that the Shop may operate at full capacity;

(2) terms and conditions of the sale and delivery of, and terms and methods of payment for, Proprietary Products, other products, and services that you obtain from us and affiliated and unaffiliated suppliers; and our and our affiliates' right not to sell you any Proprietary Products, or other products or to provide you with services, or to do so only on a "cash-on-delivery" or other basis, if you are in default under any agreement with us;

(3) sales, marketing, advertising, promotional and loyalty programs and materials and media, including social media Websites, used in these programs ("social media" includes personal blogs, common social networks like Facebook, Instagram, or Pinterest, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools);

(4) use and display of the Marks at the Shop and on vehicles, napkins, boxes, bags, wrapping paper, labels, forms, paper and plastic products, uniforms, hats, aprons, name tags, and other supplies;

(5) issuing and honoring gift certificates;

(6) staffing levels for the Shop; identifying the Shop's personnel; and employee qualifications, training, dress, and appearance (although you have sole

responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(7) days and hours of operation;

(8) participation in market research and testing and product and service development programs and preparation of reports and other relevant information we may request regarding the market research, as well as participation in, and dues assessed for, advisory councils;

(9) accepting credit and debit cards, other payment systems, and check verification services;

(10) product sampling, including requirements regarding quantity and frequency;

(11) catering and delivery services and on-line customer ordering (to the extent we allow you to engage in these activities), including using only delivery sources dedicated to your Shop;

(12) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and giving us copies of tax returns and other operating and financial information concerning the Shop;

(13) use of social media in connection with your Shop's operation or otherwise referencing the System; and

(14) any other aspects of operating and maintaining the Shop that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Doughnuttery Shops.

You agree that you are obligated to comply with all System Standards we prescribe in the Operations Manual, or otherwise communicate to you in writing or another tangible form during the Term (for example, via System extranet or Website), as we periodically modify them.

J. MODIFICATION OF SYSTEM STANDARDS.

We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may obligate you to invest additional capital in the Shop and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling the Premises or any other aspect of the Shop, buying new Operating Assets, adding new Menu Items and services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

9. MARKETING.

A. GRAND OPENING ADVERTISING.

You agree to spend a minimum of Two Thousand Five Hundred Dollars (\$2,500) (or such other sum as may be required by your lessor or the master lessor) to advertise and promote the Shop during a grand opening period beginning one (1) week before the scheduled opening of the Shop and ending two (2) weeks after your Shop opens for business. You agree to comply with our guidelines for this grand opening advertising program.

B. ADVERTISING AND DEVELOPMENT FUND.

Recognizing the value of advertising and marketing to the goodwill and public image of Doughnuttery Shops, we may establish an Advertising and Development Fund (the "Fund") for the advertising, marketing, and public relations programs and materials we deem appropriate. You agree to contribute to the Fund the amounts we require as set forth in Subsection 3.C above.

We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Doughnuttery Shops and with whom we have agreed that we will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes, and which we and our affiliates therefore may use for any purposes we and they deem appropriate, as provided in Subsection 8.C above.)

We will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies and efforts; social media strategy and execution; use of social media influencers; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Fund may periodically give you samples of advertising, marketing, and promotional formats and materials at no cost. We will sell you multiple copies of these materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for any of our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including, without

limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions.

The Fund will not be our asset. Although the Fund is not a trust, we will hold all Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Subsection 9.B. We do not owe any fiduciary obligation to you for administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from us or third parties, or invest any surplus for future use. We will use all interest earned on Fund contributions to pay costs before using the Fund's other assets.

We will prepare an annual, unaudited statement of Fund collections and expenses and give you the statement upon written request. We reserve the right, in our sole determination, to have the Fund audited annually at the Fund's expense by an independent certified public accountant. We may incorporate the Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Subsection 9.B.

We intend the Fund to maximize recognition of the Marks and patronage of Doughnuttery Shops. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Doughnuttery Shops, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Doughnuttery Shops operating in that geographic area or that any Doughnuttery Shop benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. Except as expressly provided in this Subsection 9.B, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce contributions of a Doughnuttery Shop franchise owner and, upon thirty (30) days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Fund contributions during the preceding twelve (12) month period. We may reinstate Fund contributions upon the same terms and conditions set forth herein upon thirty (30) days' prior written notice to you.

C. **BY YOU.**

You agree to list and advertise the Shop in at least one (1) online directory listing (e.g., Google or Yelp) as we designate or approve from time to time and at least one (1) recommended classified telephone directory distributed within the Shop's market area (in the business classifications we prescribe at any time and from time to time) and to use an approved form of classified telephone directory advertisement. If other Doughnuttery Shops are located within the directory's distribution area, we may require you to participate in a collective telephone directory advertisement with those other Doughnuttery Shops and to pay your share of that collective advertisement.

In addition to your grand opening obligation in Subsection 9.A above and your Fund contribution obligations in Subsection 9.B above, you agree to spend, during the second month of the Term and in all subsequent months, one and one-half percent (1.5%) of the Shop's Gross Sales to advertise and promote your Shop (this may include the costs of yellow pages advertising). Within thirty (30) days after the end of each month, you agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding month, along with a year-to-date report of the total amount spent on local advertising.

Your local advertising and promotion must follow our guidelines. All advertising and promotional materials that you develop for your Shop must contain notices of our Website's domain name in the manner we designate. You may not develop, maintain, or authorize any Website that mentions or describes you or the Shop or displays any of the Marks without our prior written approval. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe at any time and from time to time.

Before you use them, you agree to send us or our designated agency for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously disapproved including, but not limited to, press releases and interviews for publication in any media. If you do not receive written approval within ten (10) business days after we or our designated agency receives the materials, they are deemed to be disapproved. You must not engage in any advertising of your Shop unless we have previously approved the medium, content and method.

We have the right to require you to use one or more required suppliers for your local advertising and to require you to spend all or a portion of the required money you must spend on local advertising with required suppliers. We reserve the right to collect amounts directly from you via EFT to pay required suppliers.

We, or our designated supplier, may become the required supplier of some or all digital marketing and advertising services. If we do, you will be required to discontinue using any of your current suppliers for this service upon expiration of any existing contracts for these services, or within thirty (30) days of receiving notice from us that we will be providing these

services, whichever occurs first. Any amounts paid to us as the required supplier of digital marketing and advertising services may be applied towards the monthly minimum you must spend on local advertising.

D. COOPERATIVE ADVERTISING PROGRAMS.

We may designate an advertising coverage area (“ACA”) — local or regional — in which two (2) or more Doughnuttery Shops are located in order to establish a cooperative advertising program (“Cooperative Program”) for that ACA. An ACA is the area covered by the particular advertising medium recognized in the industry. All franchise owners in the ACA will be required to participate. Each Doughnuttery Shop operating in the ACA will have one vote, including Doughnuttery Shops operated by us or our affiliates.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Cooperative Program’s purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If we establish a Cooperative Program for the geographic area in which the Shop is located, you must sign the documents we require to become a member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you will be required to contribute up to two percent (2%) of your Shop’s Gross Sales to the Cooperative Program weekly, monthly, or as otherwise specified by fifty percent (50%) or more of the Doughnuttery Shops operating in the ACA. You will not be required to contribute more than two percent (2%) of your Shop’s Gross Sales to the Cooperative Program unless sixty-seven percent (67%) or more of the Doughnuttery Shops operating in the ACA, including any Doughnuttery Shops operated by us or our affiliates, vote to increase the contributions of all Doughnuttery Shops operating in the ACA in excess of the two percent (2%). Any amounts you contribute to a Cooperative Program will count toward the percentage of Gross Sales you are required to spend under Subsection 9.C to promote the Shop.

You agree to send us and the Cooperative Program any reports that we require. The Cooperative Program and its members may not use any advertising or promotional plans or materials without our prior written consent.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe at any time and from time to time. We may require you to use a Computer System to maintain certain sales data and other information and to report such information to us via a website or other means. You agree to give us in the manner and format that we prescribe at any time and from time to time:

- (a) On or before the due date of each Royalty payment and Fund contribution, a report on the Shop’s Gross Sales during the preceding month;

(b) within thirty (30) days after the end of each calendar quarter, the operating statements, financial statements, statistical reports, purchase records, and other information we request regarding you and the Shop covering the previous calendar quarter and the fiscal year to date, and you must certify these statements are true and correct;

(c) within ninety (90) days following the end of each fiscal year during the Term, annual profit and loss and source and use of funds statements and a balance sheet for the Shop as of the end of the prior calendar year;

(d) within thirty (30) days following your filing of tax returns for the Shop, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the Shop and the Franchise.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the Shop's operation.

You agree to preserve and maintain all records in a secure location at the Shop for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the Term.

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT THE SHOP.

To determine whether you and the Shop are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect the Shop; (2) photograph the Shop and observe and videotape the Shop's operation for consecutive or intermittent periods we deem necessary; (3) remove samples of any products and supplies; (4) interview the Shop's personnel and customers; and (5) inspect and copy any books, records, and documents relating to the Shop's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the Shop's operation. You acknowledge that any evaluation or inspection that we or our designated agents or representatives conduct is conducted in order to protect our interests in the System and Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the Shop and you agree to never contend otherwise.

B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your (if you are an Entity) and the Shop's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any audit. If any audit discloses an understatement of the Shop's Gross Sales, you agree to immediately pay us the amount of the understatement, plus our service charges and interest (to be calculated as set forth in Subsection 3.E above) on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our audit reveals a Royalty or Fund contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

If we conduct an examination which reveals a Royalty or Fund contribution understatement exceeding five percent (5%) of the amount that you actually reported to us for any month within the period examined, or for the entire period of examination, you agree to immediately pay us the additional amount due as shown by the examination plus interest (to be calculated as set forth in Subsection 3.E above). You also agree to immediately reimburse us for the costs of an examination for the entire period of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. Such understatement shall be a material breach of this Agreement and, in addition to our other remedies and rights under this Agreement and applicable laws, we shall have the right to terminate this Agreement immediately upon notice to you, without opportunity to cure.

12. TRANSFER.

A. BY US.

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, member or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement or any interest therein and any other agreement to a third party without restriction or notice to you. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

B. BY YOU.

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you the Franchise in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the Shop (or any right to receive all or a portion of the Shop's profits or losses or capital appreciation related to the Shop); (iii) all or substantially all of the assets of the Shop; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of the Shop's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, the Shop or all or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;
- (e) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, the Shop or all or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the Shop, or your transfer, surrender, or loss of the Shop's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Shop's assets (not including this Agreement) to a lender that finances your acquisition, development, and/or operation of the Shop without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If you (and your owners) are fully complying with this Agreement, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Subsection 12.C.

If you are an entity, your owners may transfer a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) if: (i) the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet our then applicable standards for Doughnuttery Shop franchise owners (including no ownership interest in or performance of services for a Competitive Business); (ii) you give us prior written notice of the transfer at least sixty (60) days before the proposed transfer, and later provide us final documentation of the consummated transfer; and (iii) you reimburse us, upon our demand at any time, for any costs we incur in connection with the proposed transfer (regardless of whether the proposed transfer actually transpires).

For any other proposed transfer (including a transfer of this Agreement, a transfer of a controlling ownership interest in you or one of your owners, or a transfer that is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners), all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) the transferee grants us rights to conduct due diligence and is proven to have sufficient business experience, aptitude, and financial resources to operate the Shop;

(2) you have paid all Royalties, Fund and Cooperative Program contributions, and other amounts owed to us, our affiliates, and third party vendors; have submitted all required reports and statements; and have not violated any provision of this Agreement, the Lease, or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee (or its managing owner) satisfactorily completes our training program;

(5) your lessor consents in writing to the transfer of the Lease or sublease of the Premises to the transferee (or, if we are subleasing the Premises to you under a sublease, the master lessor consents in writing to the transfer of the sublease to the transferee and the transferee agrees in writing to assume your obligations under the sublease);

(6) any applicable agency or host or authority with jurisdiction over the Premises (such as an airport or an educational institution, if any) approves the transfer of this Agreement to the transferee;

(7) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then current form of franchise agreement and related documents (including, without limitation, our then current form of Nondisclosure and Non-Competition Agreement and our then current form of Guaranty and Assumption of Obligations, if applicable), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Fund and Cooperative Program contributions, provided, however, that the execution of the new franchise agreement will terminate this Agreement (except for your guarantees, the post-termination obligations under this Agreement, and all other rights and obligations that survive termination or expiration of this Agreement), and the term of the new franchise agreement signed will expire on the expiration of this Agreement, unless we and the transferee otherwise agree in writing;

(8) you or the transferee pays us a transfer fee equal to Seven Thousand Five Hundred Dollars (\$7,500);

(9) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, members, employees, and agents;

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Shop;

(11) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Shop are subordinate to the transferee's obligation to pay Royalties, Fund contributions, and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement;

(12) (a) you have corrected any existing deficiencies of the Shop of which we have notified you on a punchlist or in other communications, and/or (b) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, expand and/or refurbish the Shop and to add or replace services, vehicles, equipment, Operating Assets and/or Proprietary Products, in accordance with our then current requirements and specifications for Doughnuttery Shops within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);

(13) you and your transferring owners (and your and your owners' spouses) will not, for three (3) years beginning on the transfer's effective date, engage in any of the activities proscribed in Subsection 15.D below; and

(14) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Doughnuttery Shops you own and operate) identify yourself or themselves or any business as a current or former Doughnuttery Shop or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Doughnuttery Shop in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

We may review all information regarding the Shop that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the Shop. In addition, you agree to reimburse us, upon our demand at any time before or after the intended effective date of the proposed transfer, for any costs we incur in connection with any proposed transfer that is subject to the immediately preceding conditions (1) through (14), regardless of whether the proposed transfer actually transpires.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.

Despite Subsection 12.C above, if you are fully complying with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than the Shop and, if applicable, other Doughnuttery Shops, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Shop's assets are owned, and the Shop's business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to the conditions of Subsection 12.C above that otherwise apply to non-controlling transfers. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

E. YOUR DEATH OR DISABILITY.

(1) **Transfer Upon Death or Disability.** Upon your or your Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Managing Owner's ownership interest in you, to a third party (which may be your or the Managing Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12.

A failure to transfer your interest in this Agreement or the Managing Owner's ownership interest in you within this time period is a breach of this Agreement.

The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Managing Owner from supervising the Shop's management and operation.

(2) **Operation Upon Death or Disability.** Upon your or the Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint a manager. The manager must complete our standard training program at your expense. A new Managing Owner acceptable to us also must be appointed for the Shop, and that new Managing Owner must complete our standard training program, within sixty (60) days after the date of death or disability.

If, in our judgment, the Shop is not being managed properly any time after your or the Managing Owner's death or disability, we may, but need not, assume the Shop's management (or appoint a third party to assume its management). All funds from the Shop's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. We may charge you (in addition to the Royalty, Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume the Shop's management under this subparagraph. We (or a third party) have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Shop incurs, or to any of your creditors for any products, other assets, or services the Shop purchases, while we (or a third party) manage it.

F. **EFFECT OF CONSENT TO TRANSFER.**

Our consent to a transfer of this Agreement and the Shop, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Shop's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

G. **OUR RIGHT OF FIRST REFUSAL.**

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and the Shop, or an ownership interest in you (except to or among your current owners, which is not subject to this Subsection 12.G), in a transaction that otherwise would be allowed under Subsections 12.B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and the Shop. The offer must include details of the payment

terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Subsections 12.B and C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

(2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for three (3) years beginning on the closing date, you and they will be bound by the non-competition covenants contained in Subsection 15.D below. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Subsection 12.G.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Subsections 12.B and C above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer

otherwise would not be allowed under Subsections 12.B and C above, you (or your owners) may not move forward with the transfer at all.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

13. EXPIRATION OF THIS AGREEMENT.

A. YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.

If you meet certain conditions, then you will have the option to acquire two (2) additional consecutive successor Renewal Terms. Each of the Renewal Terms will be five (5) years in duration. The qualifications and conditions for the first Renewal Term are described below. The qualifications and conditions for the second Renewal Term will be described in the form of franchise agreement signed upon the expiration of this Agreement.

When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement during the Term; and

(2) if you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Subsection 13.B below) and on the date on which the Renewal Term of the successor franchise would commence, in full compliance with this Agreement and all System Standards; and

(3) provided that (a) you maintain possession of and agree (regardless of cost) to remodel and/or expand the Shop, add or replace improvements, services, vehicles, equipment, Operating Assets and/or Proprietary Products, and otherwise modify the Shop as we require to comply with System Standards then applicable for new Doughnuttery Shops, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for Doughnuttery Shops,

then you have the option to acquire a Renewal Term of five (5) years commencing immediately upon the expiration of this Agreement, plus a possible second Renewal Term of an additional five (5) years thereafter if you comply with our terms and conditions of renewal under the Successor Franchise Agreement. For each Renewal Term, you agree to sign the form of franchise agreement we then use to grant franchises for Doughnuttery Shops (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement (each, a "Successor

Franchise Agreement”). You must pay us a renewal fee of Ten Thousand Dollars (\$10,000) upon signing a Successor Franchise Agreement in connection with your purchase of a successor Franchise for each Renewal Term.

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the Renewal Term commences, in full compliance with this Agreement and all System Standards, then you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during the Term under Subsection 14.B

B. GRANT OF A SUCCESSOR FRANCHISE.

You agree to give us written notice of your election to acquire a successor franchise no more than two hundred twenty (220) days and no less than one hundred eighty (180) days before this Agreement expires. We agree to give you written notice of our decision (“Our Notice”):

- (1) to grant you a successor franchise;
- (2) to grant you a successor franchise on the condition that you correct existing deficiencies of the Shop or in your operation of the Shop; or
- (3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during the Term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise.

If applicable, Our Notice will:

- (a) describe the remodeling, expansion, improvements, and/or modifications required to bring the Shop into compliance with then applicable System Standards for new Doughnuttery Shops; and
- (b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain deficiencies of the Shop or its operation as a condition to our granting you a successor franchise, we will give you written notice of our decision not to grant a successor franchise, based upon your failure to cure those deficiencies. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

C. **AGREEMENTS/RELEASES.**

If you satisfy all of the other conditions for a successor franchise, you and your owners agree to execute a Successor Franchise Agreement and any ancillary agreements we then customarily use in granting franchises for Doughnuttery Shops (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign our current form of general release of any and all claims against us and our affiliates, shareholders, officers, directors, members, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution within thirty (30) days after their delivery to you to be an election by you not to acquire a successor franchise for the first Renewal Term of five (5) years.

14. **TERMINATION OF AGREEMENT.**

A. **BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver to us written notice of the material failure or, if we cannot correct the failure within thirty (30) days, do not give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time (which may extend beyond that thirty (30) days), you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination. (The time period during which we may cure any alleged material failure to comply with this Agreement after your delivery of notice is called the "Cure Period.") However, if we send you written notice during the Cure Period indicating that either (1) we do not agree that we have materially failed to comply with this Agreement or (2) we have fully corrected the failure, then you may not terminate this Agreement. If you disagree with our position and still wish to terminate this Agreement, you must commence an arbitration proceeding seeking a declaration of your right to terminate this Agreement.

This Agreement will remain in full force and effect during the arbitration proceeding (unless we terminate it under Subsection 14.B below). If the arbitrator determines that we are materially failing to comply with this Agreement, or that we did not fully correct a material failure to comply, we will have an additional thirty (30) days following the arbitrator's ruling to correct the failure. If we fail to do so, then you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination.

Your termination of this Agreement other than according to this Subsection 14.A will be deemed a termination without cause and a breach of this Agreement.

B. **BY US.**

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

- (1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Shop;
- (2) you do not submit and receive our approval of an acceptable site within the time period prescribed in Subsection 2.A of this Agreement;
- (3) you do not submit for our approval a Lease or purchase document for an acceptable site for the Premises within the time period prescribed in Subsection 2.B of this Agreement, or deliver a fully-signed copy of any signed Lease that includes our prescribed Lease Addendum within seven (7) days after their execution;
- (4) you do not open the Shop for business within the time period prescribed in Subsection 2.F of this Agreement;
- (5) you (or your Managing Owner) and your Shop Manager do not satisfactorily complete the initial training program;
- (6) you abandon or fail actively to operate the Shop for three (3) or more consecutive business days, unless such abandonment or failure is for a purpose we approve or because of casualty or government order;
- (7) you (or your owners) make or attempt to make any transfer in violation of Section 12;
- (8) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony, crime or other offense involving moral turpitude, or any other crime or offense which we reasonably believe adversely affects the System's reputation or the goodwill associated with the Marks;
- (9) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;
- (10) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Shop's reputation or the goodwill associated with the Marks;
- (11) you make any representation or warranty on our behalf that has not been specifically authorized in writing by us;
- (12) you lose the right to occupy the Premises and fail (a) to begin immediately to look for a substitute site or (b) to locate a substitute site, and to begin operating the Shop from that substitute site, within the time period prescribed in Subsection 2.B of this Agreement;
- (13) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(14) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate the Shop in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after you receive notice from us or any other party;

(15) you fail to maintain a valid license to operate and/or to comply with any state and/or federal regulation not specifically referenced in this Section 14, and do not correct the failure within ten (10) days after you receive notice from us or any other party;

(16) you use, sell, or distribute, or give away any unauthorized products or services at the Shop;

(17) you interfere with our right to inspect the Shop, or observe or videotape its operation, as provided in Section 11;

(18) you fail to pay us (or our affiliates) any amounts due and you do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(19) you fail to pay when due any amounts owed to customers, Doughnuttery Shop franchise owners or third parties;

(20) you fail to pay when due any federal or state income, service, sales, or other taxes due on the Shop's operation, unless you are in good faith contesting your liability for these taxes;

(21) you understate the Shop's Gross Sales three (3) times or more during the Term or by more than five percent (5%) on any one occasion;

(22) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(23) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; the Shop is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or the Shop is not vacated within thirty (30) days following the order's entry;

(24) you or any of your owners fail to comply with Section 19 of this Agreement, or your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities;

(25) you knowingly maintain false books or records, or submit any false reports to us;

(26) you refuse to permit us to inspect the Shop's books, records, or accounts upon request;

(27) we (or any of our owners or affiliates) terminate any other agreement between you (or any of your owners and affiliates) and us (or any of our owners or affiliates) due to your (or any of your owners' or affiliates') failure to comply with the terms of such agreement; or

(28) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you.

C. OUR ALTERNATE REMEDIES UPON YOUR DEFAULT.

In addition to, and without limiting, our other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to our right to terminate this Agreement under the preceding Subsection 14.B, we may (i) to compensate us for our damages in dealing with your non-compliance, charge you a non-compliance fee in an amount up to \$500 per day, per violation; and/or (ii) instead elect, at our sole option and upon delivering providing you written notice, to take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of the Territory, in which case the restrictions on us or our affiliates under Section 1 above will not apply in any geographic area removed from the preceding territorial boundaries;

(2) temporarily remove information concerning the Shop from any Website or extranet operated for the network of Doughnuttery Shops, and/or restrict your or the Shop's participation in other programs or benefits offered on or through any such Website or extranet;

(3) suspend your and the Shop's right to participate in any advertising, marketing, promotional, or public relations programs that we or the Fund provide, authorize, or administer; or

(4) assume, or appoint a third party to assume, management of the Shop in the manner provided in Subsection 14.F below.

D. CROSS DEFAULT.

Any default or breach by you (or any of your owners), or your affiliate (or any of your owner's affiliates) of any other agreement with us or our affiliate will be considered an event of default under this Agreement, and any default or breach by you (or any of your owners) of this Agreement will be considered an event of default or breach by you under any and all agreements between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates). If the nature of the default under any other agreement would have been considered an event of default under this Agreement, then we or our affiliate will have the right to terminate all other agreements between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates) in accordance with the termination provisions of this Agreement.

E. FAILURE TO CURE MAY BE DEEMED TERMINATION BY YOU.

Your failure to cure timely any breach by you of this Agreement about which we have provided you notice (and opportunity to cure, if applicable) pursuant to Subsection 14.B above, including but not limited to your failure to pay overdue Royalties, Fund contributions, or any other amounts due and owing to us or our affiliates under this Agreement, may be irrevocably deemed a unilateral rejection and termination by you of this Agreement and all related agreements between you and us or our affiliates, even if we ultimately issue a formal notice of such termination, and you shall never contend or complain otherwise.

F. ASSUMPTION OF MANAGEMENT.

We have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume the Shop's management (or to appoint a third party to assume its management) for any period of time we deem appropriate. If we (or a third party) assume the Shop's management under subparagraphs (1) and (2) below, you agree to pay us (in addition to the Royalty, Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume the Shop's management under this Subsection 14.F.

If we (or a third party) assume the Shop's management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Shop incurs, or to any of your creditors for any supplies, products, or other assets or services the Shop purchases, while we (or the third party) manage it.

We (or a third party) may assume the Shop's management under the following circumstances: (1) if you abandon or fail actively to operate the Shop; (2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or (3) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the Shop under Subsection 15.E below.

Any exercise of our rights under subparagraphs (1) or (2) above in this Subsection 14.F will not affect our right to terminate this Agreement under Subsection 14.B above.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

A. PAYMENT OF AMOUNTS OWED TO US.

(1) Immediately upon termination or expiration of this Agreement, and on any later date that we determine the amounts due to us, you shall pay us all Royalties, Fund contributions, interest, and all other amounts owed to us (and our affiliates) which then are unpaid.

(2) If this Agreement is terminated before its Term expires pursuant to Subsections 14.B, 14.D, or 14.E above, then you acknowledge and confirm that we will suffer and incur substantial damages because this Agreement did not continue for the Term's full length. Accordingly, you agree to pay us for all damages, costs, expenses, attorneys' and experts' fees directly or indirectly related thereto, including, without limitation, lost Royalties, lost Fund contributions, lost profits, loss of goodwill and damage to our Marks and reputation, lost opportunities, travel and personnel costs, expenses that we may incur in developing or finding another franchise owner to develop a new Doughnuttery Shop in the Territory, and any other lost payments or benefits we would have received for the balance of the Term after the effective date of termination (collectively, "Brand Damages"). You further acknowledge and agree that your obligation to pay Brand Damages resulting from early termination shall be in addition to (not in lieu of) your post-termination obligations to pay other amounts due as of the date of termination (as contemplated under the preceding Subsection (1) above) and to otherwise comply with the entirety of Section 15 hereof, and that the Brand Damages shall not be deemed a penalty for early termination but instead reasonable compensation to us for your failure to perform under this Agreement during the remainder of the Term.

(3) Your foregoing payment obligations arising under Subsections (1) and (2) above will give rise to, and remain until paid in full, a lien in our favor: (i) against any and all assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the Shop at the time of termination or expiration; and (ii) against any payment obligation you may allege we have to you, any of your money we are holding, or any other amounts of yours which are otherwise in our possession on or after the effective date of termination or expiration. Our rights and your obligations under this Subsection 15.A shall survive termination or expiration of this Agreement until they are satisfied or later expire by their terms.

B. MARKS.

When this Agreement expires or is terminated:

(1) you may not directly or indirectly at any time or in any manner (except with other Doughnuttery Shops you own and operate) identify yourself or any business as a current or former Doughnuttery Shop or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Doughnuttery Shop in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to discontinue the use of any Website and social media used in connection with the Shop or otherwise referring to the Marks or Doughnuttery Shops.

(3) you agree, at your expense, to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) you agree, at your expense, to deliver to us within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a Doughnuttery Shop that we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from the Shop;

(5) if we do not have or do not exercise an option to purchase the Shop under Subsection 15.E below, you agree promptly and at your own expense to make the alterations we specify in our Operations Manual (or otherwise) to distinguish the Shop and any delivery vehicles clearly from their former appearance and from other Doughnuttery Shops and vehicles in order to prevent public confusion;

(6) you agree to notify within five (5) days the telephone company, all telephone directory publishers and all online listings (e.g., Google and Yelp) of the termination or expiration of your right to use any telephone, facsimile, or other numbers, telephone directory listings and email addresses associated with any Mark; to authorize the transfer of these numbers and directory listings to us or at our direction; and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and

(7) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

If upon termination or expiration of this Agreement, you do not comply with your obligations above, including but not limited to your obligation to make the alterations to distinguish the Shop clearly from its former appearance and from other Doughnuttery Shops, we may perform any or all actions necessary to ensure compliance with this Subsection 15.B on your behalf. If we perform any actions on your behalf, you agree to reimburse us for all costs and expenses we and/or our affiliates may incur in connection with performing these actions.

C. **CONFIDENTIAL INFORMATION.**

You agree that, when this Agreement expires or is terminated, (1) you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise; (2) return to us all copies of the Operations Manual and any other confidential materials that we have provided you for your use during the Term; and (3) immediately deliver to us all training or other manuals furnished to you (including the Operations Manual and any supplements to the Operations Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear our Marks or slogans and insignias and designs, advertising contracts, forms and other materials or property of ours, and any copies of them in your possession which relate to the operation of the Shop. You may retain no copy or record of any of these items, except for your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law. You agree that the foregoing items, materials, customer lists, files, software and other similar items are at all times considered to be our property for all purposes.

D. **COVENANT NOT TO COMPETE.**

(1) Upon

(a) our or your termination of this Agreement according to its terms and conditions,

(b) your termination of this Agreement without cause, or

(c) expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise, or if we do not offer you a successor franchise due to your failure to satisfy the conditions for a successor franchise set forth in Section 13),

you and your owners agree that, for three (3) years beginning on the earlier of the effective date of termination or expiration of this Agreement, neither you nor any of your owners will have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in, or vendor to, any Competitive Business (as defined in Section 7 above) located or operating:

(i) at the Premises;

(ii) within the Territory;

(iii) within a ten (10) mile radius of the Territory; or

(iv) within ten (10) miles of any other Doughnuttery Shop (whether franchised or affiliate or company-owned), whether or not the Doughnuttery Shop is in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Subsection 15.D begin to comply with this Subsection 15.D.

(2) The restrictions above in this Subsection 15.D also apply after transfers, as provided in Subsection 12.C(13) above. If any person restricted by this Subsection 15.D refuses voluntarily to comply with these obligations, the three (3) year period for that person will commence with the entry of a court order enforcing this provision. The three (3) year period will be tolled, if applicable, for the period during which a restricted person is in breach of this Subsection 15.D and will resume when that person begins or resumes compliance. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Subsection 15.D will not deprive you of your personal goodwill or ability to earn a living.

E. OUR RIGHT TO PURCHASE CERTAIN ASSETS OF THE SHOP.

Upon either party's termination of this Agreement, or upon expiration of this Agreement without renewal, we shall have the right and option, but not the obligation, to purchase the equipment, furnishings, and accessories from the Shop at a purchase price equal to its then-current book value determined using the straight-line method of depreciation. If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect the equipment, furnishings, and accessories at any time during this thirty (30) day period. If we elect to purchase the equipment, furnishings, and accessories, we will be entitled to, and you must provide, all customary warranties and representations relating to the equipment, furnishings, and accessories to be purchased, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment, furnishings, and accessories and your good title to those items (including that you own each item free and clear of any liens and encumbrances), the validity of contracts and agreements, and the liabilities affecting the equipment, furnishings, and accessories, contingent or otherwise. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. You shall deliver the equipment to us within fifteen (15) days of receipt of our written notice to you of our election to purchase.

Regardless of whether or not we exercise our right to purchase the equipment, furnishings, and accessories under this Subsection 15.E, we shall have the option, exercisable upon written notice to you within thirty (30) days after the date of termination or expiration of this Agreement, to repurchase some or all (at our option) of the Menu Items and Proprietary Products and other products then owned by you. We have the unrestricted right to assign this option to purchase. The purchase price of all products will be as agreed upon by the parties, provided that the purchase price shall not exceed the prices paid by you for such Menu Items and

Proprietary Products and other products (less any freight and insurance charges). All purchase prices are freight-on-board ("F.O.B.") our premises. We may set off against the purchase price any and all amounts you then owe to us, if applicable.

F. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Shop personnel, and others as the Shop's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require at any time and from time to time.

None of your employees or other personnel will be considered to be our employees or personnel. Neither you nor any of your employees or personnel whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, provincial, or federal governmental agency. We will not have the power to hire or fire your employees or personnel. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or personnel for qualification to perform certain functions for the Shop does not directly or indirectly vest in us the power to hire, fire or control any such employee. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of the Shop and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which we are required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of the Shop, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of the Shop.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Shop's operation or the business you conduct under this Agreement.

C. TAXES.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or the Shop, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

D. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Shop's operation, employment matters in connection with the Shop, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. You agree to give us and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within three (3) days of your actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by the Indemnified Parties to you enumerating such costs, expenses and attorneys' fees.

For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute

resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its or their losses and expenses, in order to maintain and recover from third parties fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph. Your or any of the other Indemnified Parties' undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnified Parties and to hold us and any of the Indemnified Parties harmless.

17. ENFORCEMENT.

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a Successor Franchise Agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the

other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Doughnuttery Shops; the existence of franchise agreements for other Doughnuttery Shops which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Fund and Cooperative contributions due afterward.

C. **COSTS AND ATTORNEYS' FEES.**

If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.

D. **RIGHTS OF PARTIES ARE CUMULATIVE.**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

E. **MEDIATION.**

Except as otherwise provided herein, if a dispute arises out of or relates to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the making,

interpretation, or performance of either party under this Agreement, the parties agree first to try in good faith to settle the dispute by mediation administered by non-binding mediation administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Mediation Rules before resorting to arbitration or litigation in accordance with the terms of this Agreement. Such mediation shall take place before a sole mediator at a location we designate in the city in which our then current principal business address is located (currently, New York, New York). The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between you and us. All aspects of the mediation, including statements made and documents produced within the mediation, will be confidential in nature and will not be admissible in any subsequent arbitration or other legal proceeding. If the matter is not settled by mediation within thirty (30) days of the commencement of the mediation, or such further period as the parties shall agree in writing, the matter shall be referred to arbitration as described in Subsection 17.F below. The parties hereto agree that mediation shall not be required with respect to: (a) any claim or dispute involving any payment obligation of us that is more than thirty (30) days past due; (b) any claim or dispute involving actual or threatened disclosure or misuse of our Confidential Information; (c) any claim or dispute involving the ownership, validity, or use of the Marks; (d) any claim or dispute involving the insurance or indemnification provisions of this Agreement; (e) any claim or dispute involving a non-curable default; (f) any claim or dispute involving your failure to comply with our System Standards; or (g) any action by us to enforce the covenants set forth in Section 7 or Subsection 15.D of this Agreement.

The object of any mediation subject to this Subsection 17.E is to assist the parties in reaching a mutually acceptable resolution of the dispute. Such mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or diminution of those rights or disregard of those rights.

F. ARBITRATION.

Subject to the parties' obligation to mediate certain controversies, disputes and claims pursuant to Subsection 17.E above, we and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and us or your or our respective affiliates
- (2) our relationship with you;
- (3) the scope and validity of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Subsection 17.F, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection 17.F otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the city in which our then current principal business address is located (currently, New York, New York). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise in the remainder of this Section 17, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or, except as expressly provided in Subsection 17.I below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Subsection 17.I below, any right to or claim for any punitive or exemplary damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

Except as expressly limited by Subsection 17.K below, we and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Subsection 17.C.

We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Subsection 17.F or Subsection 17.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Subsection 17.F, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 17 (excluding this Subsection 17.F).

Except as expressly provided otherwise in the remainder of this Section 17, despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Subsection 17.F.

The provisions of this Subsection 17.F are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

G. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY NEW YORK LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SUBSECTION 17.G.

H. CONSENT TO JURISDICTION.

SUBJECT TO SUBSECTIONS 17.E AND F ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED CLOSEST TO OUR THEN CURRENT PRINCIPAL BUSINESS ADDRESS (CURRENTLY, NEW YORK, NEW YORK), AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE SHOP IS LOCATED.

I. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SUBSECTION 16.D. AND TO PAY US BRAND DAMAGES UNDER SUBSECTION 15.A, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO

EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

J. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

K. LIMITATIONS OF CLAIMS.

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN EIGHTEEN (18) MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

L. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with any addenda or riders signed at the same time as this Agreement, constitutes our and your entire agreement, and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to the subject matter of this Agreement. There are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the Shop (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation made by us in our most recent franchise disclosure document (including exhibits and amendments) delivered to you or your representative.

Any policies that we adopt and implement at any time and from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in Subsections 16.D and 17.F, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “Control” means the power to direct or cause the direction of management and policies. The words “include” and “including” are meant to be illustrative and not exhaustive and are deemed to be read in all cases as “including, without limitation” and/or “including but not limited to.”

If two or more persons are at any time the owners of the Franchise and the Shop, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the Shop or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or the Shop and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “controlling ownership interest” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

“Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term “Shop” includes all of the assets of the Doughnuttery Shop you operate under this Agreement, including its revenue and the Lease.

The term "employee" includes all of the Shop's personnel, including all managers, administrators and other personnel, whether such person is classified as an employee of yours or an independent contractor.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

18. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

- (a) at the time delivered by hand;
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Fund contributions, and other amounts due, at the time we actually receive payment via the EDTA;
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice to us must be sent to the following address:

PO Box 241
Westport, Connecticut 06881

With a copy to:

Greenberg Traurig, LLP
500 Campus Drive, Suite 400
Florham Park, New Jersey 07932-0677
Attn: David W. Oppenheim, Esq.

We may change these addresses for notice by giving you notice of the new address(es). Any notice that we send to you may be sent only to the one (1) person identified on **Exhibit A**, even if you have multiple owners, at the email or postal address specified on **Exhibit A**. You may change the person and/or address for notice only by giving us thirty (30) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

19. COMPLIANCE WITH ANTI-TERRORISM LAWS.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with all applicable legislation, laws, regulations, rules, ordinances, administrative orders, decrees and policies of any court, arbiter, government, governmental agency, department, or similar organization that are in effect from time to time pertaining to: (a) the various anti-terrorism, economic sanctions, and anti-money laundering and narco-trafficking laws, regulations, orders, decrees and guidelines of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), (b) the USA PATRIOT Act (Title III of Pub. L. 107-56, signed into law October 26, 2001), as amended, (c) the provisions of United States Executive Order 13224, (d) the U.S. Prevention of Corruption Act 1988, (e) the U. S. Foreign Corrupt Practices Act, 15 U.S.C. Section 78dd 2, (e) relevant multilateral measures such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention Against Corruption, (f) bribery and anti-corruption laws, (g) the laws against money laundering, and (h) the laws against facilitating or supporting persons who conspire to commit these and other crimes against any person or government. You immediately shall notify us in writing if a potential violation of any of the foregoing legislation, laws, regulations, rules, ordinances, administrative orders, decrees and/or policies has occurred or is suspected to have occurred. You immediately shall provide us with copies of any communication to or from any such agency, government, or commission that relates to or affects this Agreement, the Shop, or the Marks. Any failure to comply with this Section by you or your owners, or any blocking of your or your owners' assets under any of such laws, legislation, regulations, orders, decrees and/or policies shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 14.B (24) above.

20. ELECTRONIC MAIL.

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates ("**Official Senders**") to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this Section 20 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

21. ELECTRONIC SIGNATURES

The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

DOUGHNUTTERY FRANCHISE, LLC, a
New York limited liability company

By: _____
[_____]

DATED*: _____
(*Effective Date of this Agreement)

FRANCHISE OWNER

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

[Print Name of Franchise Owner Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

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

[signature of individual franchise owner]

Print Name: _____

DATED: _____

[signature of individual franchise owner]

Print Name: _____

DATED: _____

EXHIBIT A
TO THE FRANCHISE AGREEMENT
LISTING OF OWNERSHIP INTERESTS

**Effective Date: This Exhibit A is current and complete
as of _____, 20_____**

You and Your Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Name and Address of Person to Receive Notice for Franchise Owner.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____

4. **Identification of Managing Owner.** Your Managing Owner as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Managing Owner without prior written approval.

[Signatures on following page.]

DOUGHNUTTERY FRANCHISE, LLC, a
New York limited liability company

By: _____
[]

DATED*: _____

FRANCHISE OWNER

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

[Print Name of Franchise Owner Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

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

[signature of individual franchise owner]

Print Name: _____

DATED: _____

[signature of individual franchise owner]

Print Name: _____

DATED: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
THE PREMISES AND TERRITORY

1. The Premises of the Shop will be located at:

2. The Territory shall be:

[Signatures on following page.]

DOUGHNUTTERY FRANCHISE, LLC, a
New York limited liability company

By: _____
[]

DATED*: _____

FRANCHISE OWNER

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

[Print Name of Franchise Owner Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

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

[signature of individual franchise owner]

Print Name: _____

DATED: _____

[signature of individual franchise owner]

Print Name: _____

DATED: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT
FRANCHISE ADDENDUM TO LEASE AGREEMENT

THIS FRANCHISE ADDENDUM TO LEASE AGREEMENT (this “Addendum”) is entered into this _____ day of _____, 201__, by and between _____, a(n) _____ (“Landlord”) and _____, a(n) _____ (“Tenant”) for the benefit of Doughnuttery Franchise, LLC, a New York limited liability company (“Franchisor”).

WHEREAS, Tenant and Franchisor have executed a Doughnuttery Franchise Agreement (the “Franchise Agreement”), pursuant to which Franchisor has granted Tenant the right to establish and operate a “Doughnuttery”-branded shop at the following location: _____ (the “Premises”);

WHEREAS, Tenant and Landlord are entering into a lease agreement (the “Lease”), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor’s rights, and Landlord has agreed to such terms.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the parties hereby acknowledge, Landlord and Tenant agree as follows:

1. Landlord agrees to: (a) furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within fifteen (15) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor’s request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: Doughnuttery Franchise, LLC, 425 West 15th Street, New York, NY 10011, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

2. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant and/or another lessee under the Lease, then Franchisor may, at its option, succeed to Tenant’s and/or such other lessee’s interests under the Lease and shall be recognized by Landlord as the lessee or sublessee thereunder for the remaining term of the Lease.

3. Landlord agrees that the expiration of the Franchise Agreement (unless Tenant enters into a renewal Franchise Agreement with Franchisor) or a termination of the Franchise Agreement prior to expiration shall constitute a default under the Lease, giving Franchisor the

right, but not the obligation, to cure such default by succeeding to Tenant's and/or any other lessee's interests as the new lessee or sublessee under the Lease.

4. Landlord agrees that upon the termination or expiration of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new lessee or sublessee.

5. Landlord agrees that Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor's sole judgment to protect its franchise system, trademarks, trade names, trade dress and other intellectual property without being guilty of trespass or any other tort or crime.

6. Landlord agrees that upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right to enter the Premises and remove any trade fixtures, interior or exterior signs or other items bearing its trademarks. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

7. Landlord agrees that, if Franchisor succeeds to Tenant's and/or any other lessee's interests under the Lease for any reason, Franchisor shall have the right to further assign the lease or to sublease the Premises to either an entity owned or controlled by Franchisor, or to another franchise owner of Franchisor upon obtaining Landlord's written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

8. Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Addendum, Franchisor shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

9. Landlord and Tenant expressly agree that Franchisor is an intended third party beneficiary of the terms of this Addendum. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises its right to assume the Lease under this Addendum.

10. In the event of any inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum control. All of the terms of this Addendum, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns. The provisions of this Addendum may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Addendum that makes specific reference to this Addendum and which must be approved in writing by Franchisor. This Addendum may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

LANDLORD:

TENANT:

_____,
a _____

_____,
a _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

EXHIBIT D
TO THE FRANCHISE AGREEMENT
NONDISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NONDISCLOSURE AND NON-COMPETITION AGREEMENT (this “Agreement”) is made as of the ____ day of _____, 201__, is executed by _____ (“Individual,” “me,” or “I”) for the benefit of Doughnuttery Franchise, LLC, a New York limited liability company (“Company”), and for _____, a/an _____ (“Franchise Owner”).

Franchise Owner is a franchise owner of Company pursuant to a franchise agreement entered into by those parties concerning a shop operating, or to be operated, under the “Doughnuttery” name at _____ (the “Franchise Agreement”). The franchised business Company authorizes Franchise Owner to operate under the Franchise Agreement is known as the “Shop,” which Shop is one among all shops that Company owns, operates, or franchises under the “Doughnuttery” name. I agree that, unless otherwise specified, all capitalized terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchise Owner, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity, Company’s proprietary and confidential information relating to the development and operation of Doughnuttery Shops, including but not limited to the following concerning Doughnuttery Shops: (1) site selection criteria and plans and specifications for the development of Doughnuttery Shops (2) ingredients, recipes, and methods of preparation and presentation of food products Company authorizes; (3) training and operations materials and manuals; (4) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Doughnuttery Shops; (5) marketing, promotional and advertising research and programs for Doughnuttery Shops; (6) knowledge of specifications for and suppliers of Operating Assets, Proprietary Products, and other products and supplies, including supplier pricing and related terms; (7) computer systems and software programs; (8) knowledge of the operating results and financial performance of Doughnuttery Shops other than the Shop; (9) graphic designs and related intellectual property; (10) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; (11) all data and other information generated by, or used in, the operation of the Shop, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the Computer System or that visitors to the Shop (including you and your personnel) provide to the Website for the network of Doughnuttery Shops; (12) future business plans relating to Doughnuttery Shops and the Doughnuttery franchise opportunity, including expansion and development plans; and (13) any

and all other information Company provides to me, Franchise Owner, Franchise Owner's Owners or Affiliates that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential (collectively, all information referenced above, including examples (1) through (13), is known as the "Confidential Information").

Furthermore, any and all information, knowledge, know-how, techniques and information which the entities mentioned above (or their officers) designate as confidential is considered, and hereby acknowledged by me, to be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication violates a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, all the above items, concepts, and/or examples contained in the preceding paragraph constitute Confidential Information of Company, and I will not divert any business to competitors of Franchise Owner and/or Company. I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or database, nor otherwise make them available to any unauthorized person.

I further agree that, during the term of my employment/service/association or ownership participation, I will not, directly or indirectly, engage or participate in any Competitive Business (defined below in this paragraph), any of which such prohibited behavior I understand and hereby explicitly acknowledge would or could be injurious to, or (in Company's sole judgment) have an adverse effect upon, Company's protectable interests in the Confidential Information, the "Doughnuttery" trademark or related Marks, or the goodwill and/or reputation of Doughnuttery Shops generally. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, vendor, advisor, or consultant. For purposes of this Agreement, a "Competitive Business" means any business that: (i) operates as a restaurant or other retail or wholesale business and derives more than five percent (5%) of its revenue from selling doughnuts, baked goods, ice cream, frozen yogurt, pretzels and similar sweets and/or snacks and/or coffee, coffee-based mixed beverages, smoothies and similar sweet or fruit based drinks; or (ii) grants franchises or licenses to others to operate the type of business specified in the preceding subparagraph (i) (other than a Doughnuttery Shop operated under a franchise agreement with Company). Despite the foregoing definition of a Competitive Business, nothing under this Agreement or the Franchise Agreement will prevent Individual from owning for investment purposes less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange, and so long as neither Individual nor Franchise Owner controls the company in question.

Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree:

- (i) to return immediately to Company or Franchise Owner, as the case may be, all Confidential Information, and any material(s) containing a subset thereof, in my possession that was utilized, or to which I had access, during my employment, association, service or ownership participation; and
- ~~(ii) to refrain, beginning upon such expiration or termination and forever thereafter, from any and all contacts with customers of Doughnuttery Shops for any purpose whatsoever; and~~
- ~~(iii)~~ (ii) for a period of three (3) years, starting on the earlier of the effective date of termination or expiration of my employment/service/association or ownership participation, to refrain from directly or indirectly (such as through any one or more of my spouse, legally-recognized domestic partner, parents, children or sibling(s) (collectively, "Immediate Family")) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating at the Premises or within a ten (10)-mile radius of the Premises; (b) any Competitive Business operating within a radius of ten (10) miles of any Doughnuttery Shop (whether franchised or affiliate or company-owned) in operation or under construction on the later of the effective date of termination or expiration of my employment/service/association/ ownership participation; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business.

I acknowledge and understand that the provisions of this Agreement, including my representations, covenants, and warranties (as applicable) given hereunder, are necessary and integral to this Agreement and to Company's and Franchise Owner's interests under the Franchise Agreement, and are intended to:

- (i) preclude not only direct competition, but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor;
- (ii) bind any person or entity having any legal or beneficial interest in me, or traceable to, down or through me, including (without limitation) any of member of my Immediate Family, any direct or indirect beneficiary, any partner (general or limited) or proprietor of mine, and any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me; and
- (iii) identify for me, toward the goal of preserving through this Agreement, Company's protectable legal interests in the System, customers of Doughnuttery Shops, the Confidential Information, and the goodwill associated with the Marks.

I also expressly acknowledge my possession of skills and abilities of a general nature, and the opportunity for exploiting such skills in other ways than the operation or involvement in the activities of a Doughnuttery Shop or a Competitive Business, so that enforcement of my covenants made in this Agreement will not deprive me of my personal goodwill or ability to earn

a living after the effective date of expiration or termination of my relationship with Franchise Owner, the Shop, or Doughnuttery Shops generally. If I fail or refuse to abide by any of my foregoing obligations or promises made under this Agreement, and Company or Franchise Owner obtains enforcement in a judicial or arbitration proceeding, then my obligations and responsibilities specified under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or Company or Franchise Owner seeks to enforce it, and will continue for three (3) years starting from the effective date of the order enforcing the covenant.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Company and Franchise Owner, for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Company or Franchise Owner (or both), in any appropriate jurisdiction and venue (notwithstanding other references to resolution of actions exclusively in Company's home prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of Confidential Information under this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Company's Confidential Information. Further, I expressly agree that any claims I may have against Company will not constitute a defense to Company's enforcement of the covenants not to compete under this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Company in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all, or any portion of, this covenant not to use Confidential Information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchise Owner and/or Company is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchise Owner or Company on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York state, and if the Shop is located outside of New York state and the provision would be enforceable under the laws of the state in which the Shop is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself on the one hand, and Franchise Owner or Company on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the U.S. District Court sitting nearest to Company's corporate headquarters (currently, New York, New York). I agree that any dispute as to the aforementioned venue will be submitted to and resolved exclusively by such aforementioned court. Nonetheless, I agree that Franchise Owner or Company may enforce this Agreement and any awards in the courts of the state or states in which I am domiciled or the Shop is located.

I IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ME, FRANCHISE OWNER OR COMPANY. I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

[Signatures on Following Page]

IN WITNESS WHEREOF, Franchise Owner has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, as of the day and year first written above.

ATTESTED TO BY FRANCHISE OWNER: INDIVIDUAL:

_____,
a/an _____

(Print Name)

By: _____
(Name of Franchise Owner's Officer)

(Signature)

Signed: _____
(Signature of Franchise Owner's
Officer)

(Date)

(Date)

**WITNESS TO INDIVIDUAL'S
SIGNATURE:**

(Print Witness Name)

(Signature of Witness)

(Date)

EXHIBIT E
TO THE FRANCHISE AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____
day of _____, 20 ____

By (list each guarantor):

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by Doughnuttery Franchise, LLC ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ ("Franchise Owner") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and arbitration requirements.

Depending on the creditworthiness of each guarantor and the community property laws of the states in which they reside, we may require that the spouses of one or more guarantors execute this Guaranty as well. Each guarantor represents and warrants that, if no signature appears below for such guarantor's spouse, such guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate or we have waived in writing any requirement that such spouse execute this Guaranty.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchise Owner and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchise Owner fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchise Owner or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may at any time and from time to time grant to Franchise Owner or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this

Guaranty

1 of 3

Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchise Owner or its owners, and for so long as we have any cause of action against Franchise Owner or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchise Owner, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchise Owner arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Subject to the arbitration obligations and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in the state or federal court of competent jurisdiction located closest to our then current principal business address (currently, New York, New York), and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

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

Signatures Of Each Guarantor

**Percentage Of Ownership
In Franchise Owner**

_____%
Guarantor's Spouse
_____%

Guaranty
2 of 3

Guarantor's Spouse
_____%
Guarantor's Spouse
_____%
Guarantor's Spouse
_____%
Guarantor's Spouse

VETERAN INCENTIVE ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) is entered into as of _____, 201__, by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company (“**Franchisor**,” “**we**,” “**our**,” or “**us**”), and _____ (“**you**” or “**your**” or “**Franchisee**”). We and you may each be referred to as a “**Party**,” or collectively, the “**Parties**.”

RECITALS

WHEREAS, Franchisor has implemented an incentive program available to qualified veterans of the United States military forces under which Franchisor offers qualified franchisees a reduction of the Initial Franchise Fee due under Franchisor’s current form of franchise agreement (the “**Veteran Incentive**” or “**Incentive**”);

WHEREAS, Franchisor and Franchisee are Parties to that certain Franchise Agreement dated _____ the “**Franchise Agreement**”) pursuant to which Franchisee will operate a franchised “Doughnuttery” shop located at _____ (the “**Franchised Shop**”);

WHEREAS, Franchisee desires to receive the benefits of the Incentive in connection with its operation of the Franchised Shop under the Franchise Agreement; and

WHEREAS, the Parties now desire to modify the Franchise Agreement according to the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Relationship to Franchise Agreement; Recitals.** This Addendum shall be annexed to and form a part of the Franchise Agreement. All capitalized terms not otherwise defined in this Addendum shall have the meanings set forth in the Franchise Agreement. Except as modified by this Addendum, the Franchise Agreement remains in full force and effect. Any conflict between the provisions hereof and the Franchise Agreement shall be construed in favor of this Addendum. All references in this Addendum to “Sections,” “Subsections,” and/or “Exhibits” shall mean the applicable Section(s), Subsection(s), and/or Exhibit(s) of the Franchise Agreement, unless specified otherwise below. The Recitals above are incorporated into this Addendum by reference.
2. **Qualifications.** You represent, and in connection with signing this Addendum have provided us (or agree to provide promptly upon our request) relevant supporting documentation, that: (a) you are, or at least a 50% owner in you is, a veteran of the United States Armed Forces or the National Guard (you or your owner, as applicable is referred to herein as the “**Veteran**”) and (b) the Veteran

has retired or been honorably discharged from the United States Armed Forces or the National Guard, as evidenced by relevant supporting documentation.

3. **Reduced Fee(s).** Section 3.A shall be revised to reflect that the Initial Franchise Fee is reduced by Three Thousand Dollars (\$3,000), which represents ten percent (10%) of the standard amount of the initial franchise fee otherwise due for a new Shop.
4. **Additional Condition(s).**
 - a. If, before you open the Franchised Shop, you request and we approve a transfer in accordance with Section 12, then as a pre-closing condition of the transfer (in addition to any transfer fee payable) you must pay us the full standard amount of the initial franchise fee (as measured on the Effective Date of your Franchise Agreement) that was reduced or waived pursuant to this Addendum.
 - b. If you breach, fail to satisfy, or are later found to have violated or failed to satisfy, any of the criteria listed in Section 2 above in this Addendum, at any point during the Term, then in addition to any other remedies available under the Franchise Agreement (including termination) or at applicable law, you must pay us (no later than thirty (30) days after our written notice to you) the amount or value of any fee reduction, discount, or other benefit afforded to you hereunder.
5. **Entire Agreement.** Franchisor and Franchisee each acknowledges that this Addendum: contains the entire understanding and agreement of the Parties with respect to this Addendum's subject matter; supersedes all other written or oral agreements between them or their representatives in this regard; and may not be altered, amended or modified, except by a writing properly executed by the Parties.
6. **Counterparts.** This Addendum may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Facsimile signatures shall be sufficient to bind the Parties.
7. **Electronic Signatures.** The counterparts of this Addendum may be executed and signed by electronic signature by any of the Parties and delivered by electronic or digital communications to any other Party to this Agreement, and the receiving Party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Addendum, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the day and year first above written.

FRANCHISOR

DOUGHNUTTERY FRANCHISE, LLC,
a New York limited liability company

By: _____
Print Name: _____
Title: _____

FRANCHISEE

If a corporation, partnership, limited
liability company or other legal entity:

(Name of corporation, partnership,
limited liability company or other legal
entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

(Signature)

(Print Name)

EXHIBIT D

STATE ADDENDA TO FRANCHISE AGREEMENT

**RIDER TO THE DOUGHNUTTERY 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 DOUGHNUTTERY FRANCHISE, LLC, a New York limited liability company with its principal business address at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____ a _____ (“you” or “your”).
whose principal business address is _____ (“you” or “your”).

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. **Initial Fees.** The following language is added to the end of Section 3.A of the Franchise Agreement:

Despite the payment provisions provided in this Section, we will defer your payment of initial franchise fees until we have satisfied our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

3. **Governing Law.** The following language is added to the end of Section 17.G of the Franchise Agreement:

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

4. **Consent to Jurisdiction.** The following language is added to the end of Section 17.H of the Franchise 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.

5. **Waiver of Jury Trial.** The following language is added to the end of the second paragraph of Section 17.I of the Franchise 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.

6. **Limitation of Claims.** The following language is added to the end of Section 17.K of the Franchise 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).

7. **Waivers Void.** The following language is added as a new Section 17.M of the Franchise 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).

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

DOUGHNUTTERY FRANCHISE, LLC

FRANCHISE OWNER

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

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

DATED: _____

[Print Name of Franchisee Entity]

By: _____
[Signature of person signing on behalf of 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 DOUGHNUTTERY 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 DOUGHNUTTERY FRANCHISE, LLC, a New York limited liability company with its principal business address at 425 West 15th Street, New York, NY 10011 (“**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 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. **Initial Fees.** The following language is added to the end of Section 3.A of the Franchise Agreement:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

3. **Releases.** The following language is added to the end of the third paragraph in Section 4.A. (entitled “Initial Training”) and to the end of Sections 12.C.(9) (entitled “Conditions for Approval of Transfer”), 13.C. (entitled “Agreements/Releases”), and 15.E (entitled “Our Right to Purchase Certain Assets of the Shop”) of the Franchise Agreement:

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

4. **Insolvency.** The following language is added to the end of Section 14.B.(23) of the Franchise 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.

5. **Arbitration.** The following language is added to the end of Section 17.F of the Franchise Agreement:

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act,

there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **Governing Law.** The following language is added to the end of Section 17.G of the Franchise Agreement:

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

7. **Consent to Jurisdiction.** The following language is added to the end of Section 17.H of the Franchise 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.

8. **Limitation of Claims.** The following language is added to the end of Section 17.K of the Franchise Agreement:

However, the limitation of such claims shall not act to reduce the three (3)-year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

9. **Acknowledgements.** The following language is added as a new Section 17.M of the Franchise Agreement:

All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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 DOUGHNUTTERY 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 DOUGHNUTTERY FRANCHISE, LLC, a New York limited liability company with its principal business address at 425 West 15th Street, New York, NY 10011 (“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 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. **Insufficient Funds Processing Fee.** The last sentence in the first paragraph of Section 3.G. of the Franchise Agreement is deleted and replaced with the following:

If there are insufficient funds in the EDTA to cover any such amount owed (or, if Franchisee is paying by check and a check is returned for insufficient funds), Franchisor will charge Franchisee a processing fee of Thirty Dollars (\$30) to compensate Franchisor for Franchisor's additional administrative expenses.

3. **Releases.** The following language is added to the end of the third paragraph in Section 4.A. (entitled “Initial Training”) and to the end of Sections 12.C.(9) (entitled “Conditions for Approval of Transfer”) and 13.C. (entitled “Agreements/Releases”) of the Franchise 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.

4. **Infringement.** The following language is added to the end of Section 5.C. 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.

5. **Renewal and Termination.** The following is added to the end of Sections 13 and 14.B of the Franchise 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.

6. **Governing Law.** The following is added to the end of Section 17.G of the Franchise Agreement:

However, 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. **Consent to Jurisdiction.** The following is added to the end of Section 17.H of the Franchise 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.H 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.

8. **Waiver of Punitive Damages and Jury Trial.** If required by the Minnesota Franchises Law, Section 17.I of the Franchise Agreement is deleted.

9. **Limitations of Claims.** The following is added to the end of Section 17.K of the Franchise 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.

[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.

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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 DOUGHNUTTERY 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 DOUGHNUTTERY FRANCHISE, LLC, a New York limited liability company with its principal business address at 425 West 15th Street, New York, NY 10011 (“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) 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 Business in New York.

2. **Releases.** The following language is added to the end of the third paragraph in Section 4.A. (entitled “Initial Training”) and to the end of Sections 12.C.(9) (entitled “Conditions for Approval of Transfer”) and 13.C. (entitled “Agreements/Releases”) of the Franchise 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 12.A. of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

4. **Termination by You.** The following language is added to the end of Section 14.A of the Franchise Agreement:

The franchisee 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/Consent to Jurisdiction.** The following language is added to the end of Sections 17.G and 17.H of the Franchise Agreement:

The forgoing 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. **Limitation of Claims.** The following language is added to the end of Section 17.K of the Franchise 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.

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

DOUGHNUTTERY FRANCHISE, LLC

FRANCHISE OWNER

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

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

DATED: _____

[Print Name of Franchisee Entity]

By: _____
[Signature of person signing on behalf of 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 DOUGHNUTTERY FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

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 DOUGHNUTTERY FRANCHISE, LLC, a New York limited liability company with its principal business address at 425 West 15th Street, New York, NY 10011 (“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 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 Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **Initial Fees.** The following language is added to the end of Section 3.A of the Franchise Agreement:

Despite the payment provisions provided in this Section, we will defer your payment of initial franchise fees until we have satisfied our initial pre-opening obligations to you and you are open for business.

3. **Addition of Paragraphs.** The following is added to the end of the Franchise Agreement:

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Act**”), the Franchise Agreement of Doughnuttery Franchise, LLC shall be modified as follows:

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.

~~The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.~~

~~In any litigation, arbitration, or mediation involving a franchise purchased in Washington, the site thereof shall be either in the state of Washington, or in a place mutually agreed upon at that time, or as determined by the judge, arbitrator, or mediator, as applicable.~~

~~In the event of a conflict of laws the provisions of the Act, Chapter 19.100 RCW shall prevail.~~

~~A release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.~~

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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:_____

EXHIBIT E
DEVELOPMENT AGREEMENT

DOUGHNUTTERY FRANCHISE, LLC

**DOUGHNUTTERY SHOP
DEVELOPMENT AGREEMENT**

DEVELOPER

AREA

DOUGHNUTTERY FRANCHISE, LLC

**DOUGHNUTTERY SHOP
DEVELOPMENT AGREEMENT**

TABLE OF CONTENTS

<u>Section Number</u>	<u>Page Number</u>
1. INTRODUCTION.....	1
1.01 The Hummus & Pita Co. Shops	1
1.02 Your Acknowledgments	1
1.03 Your Representations.....	1
1.04 Certain Definitions.....	1
2. DEVELOPMENT RIGHTS	3
2.01 Term	3
2.02 Development Fee	3
2.03 Development Rights	3
2.04 Development Obligations	4
2.05 Failure to Fulfill Development Obligations.....	4
2.06 Reservation of Rights.....	4
3. EXECUTION OF FRANCHISE AGREEMENTS.....	5
4. YOUR ORGANIZATION AND MANAGEMENT.....	6
4.01 Organization Documents	6
4.02 Disclosure of Ownership Interests	6
5. RELATIONSHIP OF THE PARTIES	6
5.01 Independent Contractors	6
5.02 Indemnification.....	7
5.03 Marks.....	7
6. RESTRICTIVE COVENANTS.....	8
6.01 Confidential Information.....	8
6.02 In-Term Covenants	8
7. ASSIGNMENT	9
7.01 Assignment By Franchisor.....	9
7.02 No Assignment by Developer	9
7.03 Assignment to a Newly Formed Entity	9
8. TERMINATION OF THE AGREEMENT.....	10

8.01 Immediate Termination.....	10
8.02 Termination Upon Notice	10
8.03 Cross-Default.....	11
9. EFFECT OF TERMINATION AND EXPIRATION	11
9.01 Continuing Obligations.....	11
9.02 Post-Term Covenants.....	11
10. MISCELLANEOUS	11
10.01 Severability and Substitution of Provisions.....	11
10.02 Waiver of Obligations.....	12
10.03 Exercise of Rights of Parties	12
10.04 Costs of Enforcement.....	12
10.05 Injunctive Relief	12
10.06 Mediation.....	13
10.07 Arbitration	13
10.08 Jurisdiction and Venue.....	14
10.09 Governing Law	15
10.10 Successors and Assigns.....	15
10.11 Limitations on Damages	15
10.12 Construction.....	15
10.13 Approvals and Consents	16
10.14 Notices and Payments	16
10.15 Receipt of Disclosure Document and Agreement.....	17

EXHIBIT A – TERM AND DEVELOPMENT AREA

EXHIBIT B – DEVELOPMENT SCHEDULE

EXHIBIT C – DEVELOPER INFORMATION

PERSONAL GUARANTY OF DEVELOPER’S OBLIGATIONS

Doughnuttery Franchise, LLC
Doughnuttery Shop
DEVELOPMENT AGREEMENT

This Doughnuttery Shop Development Agreement (“Agreement”) is made and entered into by and between Doughnuttery Franchise, LLC, a New York limited liability company with its principal place of business located at 425 West 15th Street, New York, New York 10011 (“Franchisor”, “we” or “us”), and _____, a(n) _____

_____ with its principal address at _____ (“Developer” or “you”), as of the date signed by us and set forth opposite our signature on this Agreement (the “Effective Date”).

1. INTRODUCTION.

1.01 Doughnuttery Shops. We own, operate and franchise Doughnuttery Shops (defined below in Section 1.04), which offer doughnuts, coffee and other food and beverage products and services. We have developed and own a comprehensive System (defined below in Section 1.04).

1.02 Your Acknowledgments. You have read this Agreement and our Franchise Disclosure Document. You understand the terms of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high quality standards at all Doughnuttery Shops in order to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of Doughnuttery Shops may change over time, that an investment in Doughnuttery Shops involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts and financial resources. You have not received or relied on: (a) any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement; or (b) any promises that any parent company or Affiliate will back us up financially or otherwise guarantee our performance.

1.03 Your Representations. You and your Owners, if applicable, represent and warrant to us that: (a) neither you nor any of your Owners have made any untrue statement of any material fact or have omitted to state any material fact in obtaining the rights granted hereunder; (b) neither you nor any of your Owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise fully and accurately disclosed in your franchise application submitted to us; and (c) the execution and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have approved your franchise application in reliance on all of the statements you and your Owners have made in connection therewith.

1.04 Certain Definitions. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

“Affiliate” - Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly,

of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“Competitive Business” - Any business that: (i) operates a restaurant or other food-service business which derives more than five percent (5%) of its revenue from selling doughnuts and/or coffee and/or related beverage products or (ii) grants franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Doughnuttery Shop operated under a franchise agreement with us).

“Confidential Information” - Our proprietary and confidential information relating to the development and operation of Doughnuttery Shops, including: (1) site selection criteria and layouts, designs and other plans and specifications for Doughnuttery Shops; (2) ingredients, recipes and related information concerning any food items we authorize; (3) training and operations materials and manuals; (4) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Doughnuttery Shops; (5) marketing, promotional and advertising research and programs for Doughnuttery Shops; (6) identity of suppliers, and knowledge of specifications and pricing for authorized food products, materials, supplies and equipment, we authorize; (7) any computer software or similar technology which is proprietary to us or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (8) knowledge of operating results and financial performance of Doughnuttery Shops, other than Doughnuttery Shops you own; (9) graphic designs and related intellectual property; (10) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; (11) all data and other information generated by, or used in, the operation of your Doughnuttery Shops, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the computer hardware and/or operating software (including point-of-sale equipment and software) we specify for use at your Doughnuttery Shops or that visitors to your Doughnuttery Shops (including you and your personnel) provide to the Website (defined below) for the network of Doughnuttery Shops; (12) future business plans relating to Doughnuttery Shops and the Doughnuttery franchise opportunity, including expansion and development plans; and (13) any other information that we reasonably designate as confidential or proprietary.

“Development Business” – The entity and business you conduct under this Agreement for development of Doughnuttery Shops, including all assets of the development business (if any) and all rights and obligations under this Agreement.

“Doughnuttery Shops” - Shops we or any of our Affiliates own, operate or franchise that use the Marks and System.

“Franchise Disclosure Document” – The most recent version of franchise disclosure document for Doughnuttery Shops that we or our designee delivered to you, your Owners, and/or your authorized representative.

“Immediate Family” – Spouse, legally-recognized domestic partners, parents, siblings, and children, whether natural or adopted, including any particular member thereof as may be referenced individually.

“Marks” – All trademarks, service marks, trade dress, and other commercial symbols that we currently authorize, or may in the future authorize, to identify, promote, and operate Doughnuttery Shops and/or any services or products offered by Doughnuttery Shops.

“Owner” - Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity.

“System” - The distinctive business formats, methods, procedures, signage designs, layouts, standards, and specifications, and the Marks, all of which we may improve, further develop, or otherwise modify at any time and from time to time.

“Website” - An interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the internet and World Wide Web home pages.

2. DEVELOPMENT RIGHTS.

2.01 Term. Unless sooner terminated in accordance with Section 8, the term of this Agreement (the “Term”) starts on the Effective Date and expires on the expiration date set forth in Exhibit A. You have no right to renew or extend your rights under this Agreement.

2.02 Development Fee. In consideration of our execution of this Agreement, you agree to pay us a development fee equal to the sum of \$30,000 for your first Doughnuttery Shop and \$15,000 times the aggregate number of additional franchised Doughnuttery Shops which you are required to establish and operate pursuant to this Agreement (the “Development Fee”). The Development Fee is payable in full when you sign this Agreement and will be fully earned when paid. You recognize that we have incurred administrative and other expenses in relation to this Agreement, and that our development opportunities have been lost or curtailed as a result of the territorial rights granted to you in this Agreement. Therefore, we will not refund the Development Fee in whole or in part, under any circumstance.

The Development Fee will be applied against the initial franchise fee that will be payable under the franchise agreements for each of your Doughnuttery Shops (each, an “Initial Franchise Fee”). Each Initial Franchise Fee will be reduced by the amount of the Development Fee you paid for that Doughnuttery Shop, that is, by \$30,000 for your first Doughnuttery Shop and by \$15,000 for your second and subsequent Doughnuttery Shops. The Initial Franchise Fee against which the Development Fee will be credited will be \$30,000 for each Doughnuttery Shop opened under this Agreement. You will pay the remaining balance (if any) of the Initial Franchise Fee for each Doughnuttery Shop to be opened pursuant to this Agreement on the date you sign the franchise agreement for the Doughnuttery Shop.

2.03 Development Rights. During the Term, and provided you and your Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates (including franchise agreements signed pursuant to this Agreement), then we will:

- (a) grant to you, in accordance with Section 3, at least that cumulative number of franchises for Doughnuttery Shops set forth in Exhibit B, all of which are to be located within the geographical area described in Exhibit A (the “Development Area” or “Area”); and
- (b) neither operate (directly or through an Affiliate), nor grant any third party the right to operate, any Doughnuttery Shop located within the Development Area, except for:

(1) Doughnuttery Shops you will develop pursuant to this Agreement for which you or your Affiliate will sign future franchise agreements for each such location;

(2) The Doughnuttery Shops already open (or under commitment to open) as of the Effective Date;

(3) The Doughnuttery Shops or other restaurants using any part or all of the System and/or Marks at "Captive Site Locations" within the Development Area, such as military bases, shopping malls, airports, stadiums, arenas, major industrial or office complexes, hotels, school campuses, train stations, travel plazas, toll roads, educational facilities, and sports or entertainment venues, or any other similar site or venue that generates customer flow that is independent from the general customer traffic flow of the surrounding area (collectively, "Captive Site Locations");

(4) restaurants that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless whether such restaurants are converted to operate using any of the Marks and/or any or all of the System or whether such restaurants operate under other trademarks, service marks or trade dress and/or use other operating systems; or

(5) restaurants operated, licensed, or franchised by another business in the Development Area that may acquire us or our Affiliates (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction) and may provide products and services similar to those provided by Doughnuttery Shops, including the operation, licensing, or franchising of Competitive Businesses, in the Development Area.

2.04 Development Obligations. You agree to exert your best efforts to fully develop the market potential for Doughnuttery Shops in the Development Area. Without limiting the foregoing, you agree to open and operate in the Development Area, in accordance with and pursuant to franchise agreements you or your Affiliates will sign, the incremental and total cumulative number of Doughnuttery Shops set forth in Exhibit B by the corresponding dates and timelines set forth therein (collectively, Exhibit B is referred to as the "Development Schedule").

2.05 Failure to Fulfill Development Obligations. If you fail to adhere to the Development Schedule in Section 2.04 and Exhibit B by either: (1) failing to meet the requirements for the incremental number of Doughnuttery Shops to be developed (and opened under franchise agreements) during the development period, or (2) failing to meet the requirements for the cumulative number of Doughnuttery Shops developed (and operating under franchise agreements) by the end of the development period, then this will constitute a material breach of this Agreement, which, unless you cure it as provided in Section 8.02 of this Agreement, will result in this Agreement being terminated immediately.

Termination of this Agreement for this reason will not be a termination (constructive or otherwise) of any franchise agreement(s) entered into by you and us under which you have already commenced the operation of the franchised Doughnuttery Shops covered by the franchise agreement(s) if you have fully performed and otherwise been in compliance with all of your obligations under the franchise agreement(s) in question. You will lose both the right to develop the undeveloped Doughnuttery Shops in the Development Area and the Development Fee attributable to the undeveloped Doughnuttery Shops, and we may operate or franchise Doughnuttery Shops within the undeveloped balance of the Development Area without in any way being in violation of this Agreement. This remedy of ours will be in addition to whatever other remedies we may have at law or in equity.

2.06 Reservation of Rights. Except as expressly provided in this Agreement with respect to the Development Area, we and all of our Affiliates (and our respective successors and assigns, by purchase,

merger, consolidation or otherwise) retain all of our rights and discretion with respect to the Marks, the System and Doughnuttery Shops anywhere in the world, and the right to engage in any business whatsoever, including the right to: (a) operate, and grant to others the right to operate, Doughnuttery Shops at such locations and on such terms and conditions as we deem appropriate; (b) sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution; (c) operate, and grant to others the right to operate, restaurants identified by trademarks, service marks or trade dress, other than the Marks, on such terms and conditions as we deem appropriate; (d) to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Development Area under the Marks and on any terms and conditions we deem appropriate; (e) market and sell products and services to national, regional and institutional accounts, whether located inside or outside the Development Area ("National, regional and institutional accounts" are organizational or institutional customers whose presence is not confined to your Development Area, including (by way of example only): business entities with offices or branches situated both inside and outside of your Development Area; government agencies, branches or facilities; healthcare networks; the military; and, any other customer whose presence is not confined to your Development Area); (f) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Doughnuttery Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area); and, (g) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services the same as or similar to those provided at Doughnuttery Shops, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Development Area.

3. EXECUTION OF FRANCHISE AGREEMENTS.

You and we will execute a franchise agreement for each Doughnuttery Shop provided for in the Development Schedule. Each franchise agreement will be in the form of our then-current franchise agreement, modified as follows: (a) the Initial Franchise Fee will be as provided in Section 2.02, and (b) the Continuing Royalty (as defined in the franchise agreement), Fund contribution (as defined in the franchise agreement), and local advertising requirements imposed on you by the franchise agreement will not be greater than those set forth in the first franchise agreement that you will sign. Each franchise agreement will be executed according to the following procedure:

(1) Not less than sixty days before you plan to execute a franchise agreement for the franchise to be conveyed, you will request and we will deliver to you a copy of our then-current applicable Doughnuttery Shop Franchise Disclosure Document, including our then-current applicable Doughnuttery franchise agreement, modified as provided above (collectively, the "Disclosure Document").

(2) Promptly upon receipt of the Disclosure Document, you must acknowledge receipt by executing the Receipt form prescribed in the Disclosure Document and promptly returning the Receipt to us.

(3) No sooner than fourteen calendar days but no later than thirty calendar days after you receive our Disclosure Document, you must, by written notice, notify us as to whether or not you elect to execute our then-current form of franchise agreement (modified as provided above) for the Doughnuttery Shop.

(4) Promptly upon our receipt of your notice that you elect to execute our then-current form of franchise agreement (modified as provided above), we will deliver to you an execution copy of the

franchise agreement. Promptly upon receipt of the execution copy, you must execute the copy and return it to us.

If you fail to perform any of the acts or fail to deliver any of the notices required pursuant to the provisions of subsections (1), (2), (3) or (4) above in a timely fashion, this will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately on notice to you, with no opportunity to cure.

4. YOUR ORGANIZATION AND MANAGEMENT.

4.01 Organizational Documents. If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which the Development Area is located; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) you have provided to us true and complete copies of your articles of incorporation, partnership agreement, bylaws, subscription agreements, and all other then current documents relating to your ownership, organization, capitalization, management and control, any or all of which documents we may require to recite (or be amended to recite) that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (d) your activities are restricted to those necessary solely for the development, ownership and operation of Doughnuttery Shops in accordance with this Agreement and any other agreements entered into with us or any of our Affiliates; and (e) all certificates representing direct or indirect legal or beneficial ownership interests in you, whether now or hereafter issued, must bear a legend in conformity with applicable law reciting or referring to such restrictions.

4.02 Disclosure of Ownership Interests. You and each of your Owners represent, warrant and agree that Exhibit C is current, complete, and accurate as of the Effective Date. You agree to furnish promptly to us all information necessary to revise or amend that Exhibit C (as thereafter revised and signed by you) so that Exhibit C is at all times current, complete and accurate. We may require (at our option) that each person who is or becomes an Owner (and each of their spouses) execute an agreement, in a form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. Each Owner must be an individual acting in his individual capacity, unless we waive this requirement.

5. RELATIONSHIP OF THE PARTIES.

5.01 Independent Contractors.

Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence. Franchisor and Developer, as between themselves, are and shall be independent contractors. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, personnel and others as the owner of development rights granted hereunder and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we require at any time and from time to time.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any

agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

We and you acknowledge and agree that this Agreement (and the relationship of the parties which arises from this Agreement) grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests. You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Unless expressly provided otherwise in this Agreement, we may make any decision, or exercise any of our rights and/or discretion under this Agreement, according to our judgment of what is in the best interests of us, our Affiliates, the System, or the network of Doughnuttery Shops, without regard to: (a) whether other reasonable or even arguably preferable alternative decisions or actions were feasible; (b) whether our decision or action promotes our financial or other individual interest; (c) whether our decision or action applies differently to you and any one (1) or more other franchisees; or (d) whether our decision or the exercise of our rights is adverse to your individual interests or the individual interests of any other particular franchisees. We will have no liability to you for any such decision or exercise of our rights.

5.02 Indemnification. You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the development of Doughnuttery Shops under this Agreement, your business activities conducted under or arising from this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subsection.

5.03 Marks. You acknowledge that we own the Marks and that you are not granted the right under this Agreement to use the Marks. Your right to use the Marks arises solely from franchise agreements that you will enter into with us for the opening and operation of Doughnuttery Shops. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as a web site, web page, or domain name) not explicitly authorized in writing by us.

6. RESTRICTIVE COVENANTS.

6.01 Confidential Information. We will disclose parts of our Confidential Information solely for your use in the operation of the business contemplated by this agreement. The Confidential Information is proprietary and includes our trade secrets. During and after the Term: (a) you may not use the Confidential Information in any other business or capacity (as you hereby acknowledge that such prohibited use would be an unfair method of competition); (b) you must exert your best efforts to maintain the confidentiality of the Confidential Information, regardless of its format or medium of transmission to you; (c) you may not make unauthorized copies of any portion of the Confidential Information; and (d) you must implement all commercially reasonable procedures we prescribe at any time and from time to time to prevent unauthorized use or disclosure of the Confidential Information, including requiring your managers and assistant managers, and any other of your personnel who attends training or who has the ability to access our Confidential Information, to sign nondisclosure agreements in a form we prescribe or approve and delivering those agreements to us.

6.02 In-Term Covenants. You acknowledge that we have granted you development rights in the Development Area in consideration of, and reliance upon, your agreement to deal exclusively with us. You therefore agree that, during the Term and any successor franchise term, neither you, any of your Owners, nor any of your or your Owners' Immediate Family will:

(a) have any direct or indirect controlling or non-controlling ownership interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any actual or potential business or customer of any Doughnuttery Shop to a Competitive Business; or

(d) divert or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, wherever located or operating; or

(e) engage in any other activity which, in our sole opinion, might injure the goodwill associated with the Marks and System.

6.03 Procurement of Additional Covenants. You agree to require and obtain the execution of a non-disclosure and non-competition agreement, as we may require at our sole discretion, from all of the following persons:

(a) Before employment or any promotion, any manager of your activities in the Development Area, any personnel you employ who have received or will receive training from us, and all other persons to whom you grant access to Confidential Information; and

(b) If you are a business entity, all Owners having direct or indirect legal or beneficial ownership interests in you; all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you.

You shall procure all such Nondisclosure and Non-Competition Agreements required by this subsection no later than ten (10) days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within ten (10) days after such individual or entity's attains such status) and shall furnish to us copies of all executed Nondisclosure and Non-Competition Agreements within ten (10) days following their execution.

7. ASSIGNMENT.

7.01 Assignment By Franchisor. We have the unrestricted right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person, firm, corporation or other entity that we deem, at the time of the assignment, to be financially responsible and economically capable of performing our obligations under this Agreement, and such assignee shall assume and agree to perform the obligations as the franchisor under this Agreement. For purposes of this Agreement, to "assign" (or to execute an "assignment") shall mean and include assigning, selling, transferring, sharing, reconsidering, subfranchising, or dividing, whether directly or indirectly and whether voluntarily or involuntarily, whether in one or a series of related transactions, by operation of law or otherwise (each, an "assignment"), any interest or asset. We have the right to sell our company, our assets, the Marks and/or the System to a third party; to sell privately or publicly some or all of our securities; and/or to undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. We and our Affiliates have the right to purchase, merge, acquire, be acquired by, or to affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of such business's location or facilities, and to operate, franchise or license those businesses and/or facilities as Doughnuttery Shops operating under the Marks or any other marks following any such purchase, merger, acquisition or affiliation.

7.02 No Assignment By Developer. You and your Owners acknowledge that we are granting you development rights under this Agreement based on our perception of your and your Owners' individual and collective character, skill, business acumen, financial capability and ability to develop (and to operate under franchise agreements) future Doughnuttery Shops according to our standards. These rights are personal to you and your Owners. Therefore, neither you nor your Owners may assign this Agreement, any of your ownership interests, any interest in the Development Business, any development rights to a Doughnuttery Shop, or any other right granted to Developer under this Agreement. Any assignment by your or your Owners in violation of this Section 7 will be null, void and of no force or effect. Notwithstanding the foregoing, we will not unreasonably withhold or delay approval of an assignment that arises pursuant to Subsection 7.03 below.

7.03 Assignment to a Newly Formed Entity. We will not unreasonably withhold or delay our consent to your assignment to another entity that you form solely for the convenience of entity ownership, providing that at least the following conditions are met (in addition to any additional conditions we may then require):

1. The entity is newly formed and the requirements of Section 4 above (entitled "Your Organization and Management").
2. Each individual involved in the new entity has the same proportionate ownership interest in the new entity as he or she had in the Development Business before the assignment.
3. You and the new entity sign an agreement with us under which you and the new entity are jointly and severally liable for all the obligations under this Agreement and bound by all the terms, conditions and covenants of this Agreement.

8. TERMINATION OF THE AGREEMENT.

8.01 Immediate Termination. You are in material breach of this Agreement, and we may deem this Agreement terminated immediately and without providing additional notice to you, at our sole determination, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets, or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if a final judgment against you in the amount of twenty-five thousand dollars (\$25,000) or more remains unsatisfied of record for thirty (30) days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days; or if your assets, property or interests are “blocked” under any law or regulation relating to terrorist activities or if you are otherwise in violation of any such law or regulation.

8.02 Termination Upon Notice. In addition to our right to terminate pursuant to other provisions of this Agreement or under applicable law, we may terminate this Agreement, effective upon delivery of notice of termination to you:

- (a) if you fail to meet any part of the Development Schedule;
- (b) if you or any of your Owners or Affiliates make an unauthorized transfer or assignment of the Development Rights;
- (c) if you or any of your Owners or Affiliates make any material misstatement or omission in the application for the development rights conferred by this Agreement or in any other information provided to us, or are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the goodwill associated with the Marks;
- (d) if you or any of your Owners or Affiliates make any unauthorized use or disclosure of the Confidential Information;
- (e) if you or any of your Owners or Affiliates fail to comply with any other provision of this Agreement and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you;
- (f) if you or any of your Owners or Affiliates are in breach of any franchise agreement or other agreement with us or our Affiliates such that we or our Affiliates have the right to terminate the franchise agreement or such other agreement, whether or not we or they elect to exercise such right of termination; or
- (g) if we determine that any applicable federal or state legislation, regulation or rule, which is enacted, promulgated or amended after the Effective Date, may have an adverse effect on our rights, remedies or discretion in franchising Doughnuttery Shops.

We have no obligation whatsoever to refund any portion of the Development Fee upon any termination, except that we will refund the unapplied portion of the Development Fee paid pursuant to Section 2.02 only in the event of a termination pursuant to Section 8.02(g).

8.03 Alternative Remedy Upon Default. In addition to, and without limiting, our other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to our right to terminate this Agreement under the preceding Subsections 8.01 and 8.02, we may instead elect, at our sole option and upon delivering providing you written notice, to temporarily or permanently reduce the size of the Development Area, in which case the restrictions on us or our affiliates under Section 2 above will not apply in any geographic area removed from the preceding territorial boundaries.

8.04 Cross-Default. Any default or breach by you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates) of any other agreement with us or our Affiliate will be considered an event of default under this Agreement, and any default or breach by you (or any of your Owners) of this Agreement (except for a default as a result of your failure to comply with the Development Schedule set forth in Exhibit B) will be considered an event of default or breach by you under any and all agreements between us or our Affiliate and you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates). If the nature of the default under any other agreement would have been considered an event of default under this Agreement, then we or our Affiliate will have the right to terminate all other agreements between us or our Affiliate and you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates) in accordance with the termination provisions of this Agreement.

9. EFFECT OF TERMINATION AND EXPIRATION.

9.01 Continuing Obligations. All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

9.02 Post-Term Covenants. For a period of two (2) years, starting on the effective date of termination or expiration (without renewal or extension of the Term) of this Agreement, you are prohibited from directly or indirectly (such as through an Immediate Family member) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating within the Development Area; (b) any Competitive Business operating within a radius of ten (10) miles of any Doughnuttery Shop (whether franchised or affiliate or company-owned), whether in operation or under construction on the effective date of termination or expiration; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business. You acknowledge that we have a protectable legal interest in the System, customers of Doughnuttery Shops and the goodwill associated with the Marks and that the non-competition covenants contained in this Section and Section 6.02 are necessary elements to their protection and are an integral part of this Agreement. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and other opportunities for exploiting such skills, so that enforcement of the covenants contained in this Section will not deprive you of your personal goodwill or ability to earn a living. If you fail or refuse to abide by any of the foregoing covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it, and will continue in effect for a period of two (2) years after the date of order enforcing the covenant.

10. MISCELLANEOUS.

10.01 Severability and Substitution of Provisions. Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it,

you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. If any applicable law requires a greater prior notice of the termination than is required hereunder, a different standard of “good cause” to terminate this Agreement or the taking of some other action not required hereunder, the prior notice, the “good cause” standard and/or the other action required by such law shall be substituted for the comparable provisions hereof.

10.02 Waiver of Obligations. We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days’ prior written notice. You and we shall not be deemed to have waived any right reserved by this Agreement or be deemed to have modified this Agreement by virtue of any custom or practice of the parties at variance with it.

10.03 Exercise of Rights of Parties. The rights of Franchisor and Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder which Franchisor or Developer is entitled to enforce by law. If Developer commits any act of default under this Agreement for which Franchisor exercises its right to terminate this Agreement, Developer shall pay to Franchisor all actual, consequential, special and incidental damages Franchisor incurs as a result of the premature termination of this Agreement, regardless of whether or not such damages are reasonably foreseeable. Developer acknowledges and agrees that the proximate cause of such damages sustained by Franchisor is Developer’s act of default and not Franchisor’s exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement, shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying such breach or violation is provided to the other party within twelve (12) months after the later of: (a) the date of such breach or violation; or (b) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to such breach or violation.

10.04 Costs of Enforcement. If we file a claim in a judicial or arbitration proceeding for amounts you or any of your Owners owe us or any of our Affiliates, or if we enforce this Agreement in a judicial or arbitration proceeding, and we prevail in any such proceeding, you agree to reimburse us for all of our costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys’ fees. If we are required to engage legal counsel in connection with your failure to comply with this Agreement, you must reimburse us for any attorneys’ fees, costs and expenses we incur.

10.05 Injunctive Relief. We, as an alternative or supplement to mediation or arbitration pursuant to Sections 10.06 and 10.07, may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may seek and obtain such injunctive relief, without bond, but upon notice as required under applicable rules, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). You and each of your Owners acknowledge that any violation of Sections 6 or 9.02, or any other breach of your obligations concerning the proprietary nature of the Confidential Information or the System, would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners consents and agrees to the issuance of an injunction prohibiting any conduct in violation of any of those sections and agrees that the existence of

any claim you or any of your Owners may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

10.06 Mediation. Subject to Section 10.05 and except as otherwise provided herein, if a dispute arises out of or relates to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the making, interpretation, or performance of either party under this Agreement, the parties agree first to try in good faith to settle the dispute by mediation administered by non-binding mediation administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Mediation Rules before resorting to arbitration or litigation in accordance with the terms of this Agreement. Such mediation shall take place before a sole mediator at a location we designate in the city in which our then current principal business address is located (currently, New York, New York). The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between you and us. All aspects of the mediation, including statements made and documents produced within the mediation, will be confidential in nature and will not be admissible in any subsequent arbitration or other legal proceeding. If the matter is not settled by mediation within thirty (30) days of the commencement of the mediation, or such further period as the parties shall agree in writing, the matter shall be referred to arbitration as described in Section 10.07 below. The parties hereto agree that mediation shall not be required with respect to: (a) any claim or dispute involving any payment obligation of us that is more than thirty (30) days past due; (b) any claim or dispute involving actual or threatened disclosure or misuse of our Confidential Information; (c) any claim or dispute involving the ownership, validity, or use of the Marks; (d) any claim or dispute involving the indemnification provision of this Agreement; (e) any claim or dispute involving a non-curable default; or (f) any action by us to enforce the covenants set forth in Section 6.02 or Section 9.02 of this Agreement.

The object of any mediation subject to this Section 10.06 is to assist the parties in reaching a mutually acceptable resolution of the dispute. Such mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or diminution of those rights or disregard of those rights.

10.07 Arbitration. Subject to Section 10.05 and the parties' obligation to mediate certain controversies, disputes and claims pursuant to Section 10.06 above, we and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and us or your or our respective affiliates
- (2) our relationship with you; or
- (3) the scope and validity of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Section 10.07, which the parties acknowledge is to be determined by an arbitrator and not a court);

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section 10.07 otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the city in which our then current principal business address is located (currently, New York, New York). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1

et seq.). Except as expressly provided otherwise in the remainder of this Section 10, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or, except as expressly provided in Section 10.11 below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 10.11 below, any right to or claim for any punitive or exemplary damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Section 10.04.

We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section 10.07 or Section 10.01, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 10.07, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 10 (excluding this Section 10.07).

Except as expressly provided otherwise in the remainder of this Section 10, despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section 10.07.

The provisions of this Section 10.07 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

10.08 Jurisdiction and Venue. SUBJECT TO SECTIONS 10.06 AND 10.07 ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED CLOSEST TO OUR THEN CURRENT PRINCIPAL BUSINESS ADDRESS (CURRENTLY, NEW YORK, NEW YORK), AND YOU (AND EACH OWNER)

IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE SHOP IS LOCATED.

10.09 Governing Law. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY NEW YORK LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SUBSECTION 10.09.

10.10 Successors and Assigns. This agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This agreement is fully transferable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interest herein.

10.11 Limitations on Damages. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 5.02, AND EXCEPT WITH RESPECT TO THE CONFIDENTIAL INFORMATION IN SECTION 6.01, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND EACH OF YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO RECOVER CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES FOR ANY CLAIM DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT.

You agree that, for our System to function properly, we should not be burdened with the costs of litigating system-wide disputes. Accordingly, any disagreement between you (and your Owners) and us shall be considered unique as to its facts and shall not be brought as a class action, and you (and each of your Owners) waive any right to proceed against us or any of our shareholders, members, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

10.12 Construction. The language of this Agreement shall be construed according to its fair meaning and not strictly for or against any party. The introduction, personal guarantees, exhibits and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements between us and you relating to the subject matter of this Agreement that either party may or does rely on or that will have any force or effect, except that nothing in

this Agreement shall disclaim or require you to waive reliance on any representation we made in our most recent Franchise Disclosure Document (including that document's exhibits and amendments) delivered to you or your representative. Nothing in this Agreement is intended or shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties.

The headings of the sections are for convenience only and do not limit or construe their contents. The term "including" shall be construed to include the words "without limitation." The term "Developer" or "you" is applicable to one or more persons, a business corporation, limited liability company or a partnership and its owners, as the case may be. If two (2) or more persons are at any time Developer hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. References to a "controlling interest" in an entity means the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners; in the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

10.13 Approvals and Consents. In all cases where our prior consent or acceptance is required and no other method or timing for obtaining such consent or acceptance is prescribed, you must request such consent or acceptance in writing, and we will notify you of our decision within sixty (60) days after receiving your written request and all supporting documentation. Whenever our consent or acceptance is required hereunder, such consent or acceptance must be in writing. If we do not respond in writing to your request within such sixty (60)-day period, the request shall be deemed denied. Our consent to or acceptance of any request by you shall be effective only to the extent specifically stated and shall not be deemed to waive or render unnecessary our consent or acceptance of any subsequent similar request. Except where this Agreement expressly obligates us to reasonably accept or consent to (or not to unreasonably withhold our acceptance or consent regarding) any action or request by you, we have the absolute right for any reason or no reason to withhold our acceptance of or consent to any action by you.

10.14 Notices and Payments. All notices, requests and reports permitted or required to be made by the provisions of this Agreement shall be in writing and shall be deemed delivered: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the same date of the transmission by facsimile or other reasonably reliable electronic communication system; (c) one (1) business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. No restrictive endorsement on any check or in any letter or other communication accompanying any payment shall bind us, and our acceptance of any such payment shall not constitute an accord and satisfaction. Notices, requests and reports permitted or required to be made by the provisions of this Agreement shall be sent to the following addresses, unless and until a different address has been designated by appropriate written notice to the other party:

If to Franchisor:

PO Box 241
Westport, Connecticut 06881

With a copy to:

Greenberg Traurig, LLP
500 Campus Drive, Suite 400
Florham Park, New Jersey 07932-0677
Attn: David W. Oppenheim, Esq.

If to Developer, to the address identified on the first page of this Agreement.

10.15 Receipt of Disclosure Document and Agreement. You acknowledge having received our Franchise Disclosure Document and this Agreement, with all blanks completed, within the time periods required by applicable law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

FRANCHISOR

Doughnuttery Franchise, LLC,
a New York limited liability company

By: _____
Print Name: _____
Title: _____

*Effective Date: _____

DEVELOPER

If a corporation, partnership, limited
liability company or other legal entity:

(Name of corporation, partnership,
limited company or other legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

(Signature)

(Print Name)

**EXHIBIT A
TO DEVELOPMENT AGREEMENT**

TERM AND DEVELOPMENT AREA

1. The Term expires on the execution date of the last franchise agreement executed pursuant to this Agreement.

2. The Development Area is the geographical area described as follows:

FRANCHISOR:

Doughnuttery Franchise, LLC,
a New York limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

**EXHIBIT B
TO DEVELOPMENT AGREEMENT**

DEVELOPMENT SCHEDULE

Developer agrees to open _____ () Doughnuttery Shops within the Development Area (besides any Doughnuttery Shops already operating, or for which a franchise agreement has previously been signed for operation of a Doughnuttery Shop, in the Development Area) according to the following Development Schedule:

Development Period End Date	Incremental Number of Doughnuttery Shops to be Developed (and Opened under franchise agreements) During Development Period	Cumulative Number of Doughnuttery Shops Developed (and Operating under franchise agreements) By End of Development Period

[SIGNATURE PAGE FOLLOWS]

FRANCHISOR:

Doughnuttery Franchise, LLC,
a New York limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

**EXHIBIT C
TO THE DEVELOPMENT AGREEMENT**

DEVELOPER INFORMATION

1. Form of Entity of Area Franchise.

(a) Corporation or Limited Liability Company. Developer was incorporated on _____, under the laws of the State of _____. It has not conducted business under any name other than its corporate name. The following is a list of all of Developer's directors and officers as of _____, _____.

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) Partnership. Developer is a [general] [limited] partnership formed on _____, under the laws of the State of _____. It has not conducted business under any name other than its partnership name. The following is a list of all of Developer's general partners as of _____, _____.

Name of each General Partner

2. **Owners.** Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Developer, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Developer. Developer, and each Owner as to his ownership interest in Developer, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

<u>Owner's Name and Address</u>	<u>Description of Interest</u>

[SIGNATURE PAGE FOLLOWS]

FRANCHISOR:

Doughnuttery Franchise, LLC,
a New York limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

**PERSONAL GUARANTY
OF DEVELOPER'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the Doughnuttery Shop Development Agreement dated as of _____, ____ (the "Agreement") by and between Doughnuttery Franchise, LLC ("Franchisor"), and _____ ("Developer"), each of the undersigned Owners of an interest in Developer, and each of their spouses, hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Developer made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by each and every provision in the Agreement (and any amendments) and to be personally liable for his or her breach thereof, including without limitation, Sections 4, 5, 6, 7, 9 and 10 (for the avoidance of doubt, including Sections 10.06 and 10.07) thereof.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the agreement upon demand if Developer fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the agreement was executed.

**PERCENTAGE OF OWNERSHIP
INTERESTS IN DEVELOPER**

GUARANTOR(S)

(Signature)

(Print Name)

(Signature of Guarantor's Spouse)

(Print Name of Guarantor's Spouse)

(Signature)

(Print Name)

(Signature of Guarantor's Spouse)

(Print Name of Guarantor's Spouse)

(Signature)

(Print Name)

(Signature of Guarantor's Spouse)

(Print Name of Guarantor's Spouse)

(Signature)

(Print Name)

(Signature of Guarantor's Spouse)

(Print Name of Guarantor's Spouse)

(Signature)

(Print Name)

(Signature of Guarantor's Spouse)

(Print Name of Guarantor's Spouse)

DATE: _____, _____

Subscribed and sworn to before me this _____
day of _____, _____.

Notary Public

My Commission expires: _____

EXHIBIT F

STATE ADDENDA TO DEVELOPMENT AGREEMENT

**RIDER TO THE DOUGHNUTTERY FRANCHISE, LLC
DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Development Agreement (defined below), by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company organized whose principal business address is located at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____, a _____ with its principal address at _____ (“you” or “your”).

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

2. **Initial Fees.** The following language is added to the end of Section 2.02 of the Development Agreement:

Despite the payment provisions provided in this Section, we will defer your payment of initial franchise fees until we have satisfied our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

3. **Governing Law.** The following language is added to the end of Section 10.09 of the Development Agreement:

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

4. **Consent to Jurisdiction.** The following language is added to the end of Section 10.08 of the 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.

5. **Waivers Void.** The following language is added as a new Section 10.16 of the 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).

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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 DOUGHNUTTERY FRANCHISE, LLC
DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Development Agreement (defined below), by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company organized whose principal business address is located at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____, a _____ with its principal address at _____ (“you” or “your”).

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

2. **Initial Fees.** The following language is added to the end of Section 2.02 of the Development Agreement:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. **Arbitration.** The following language is added to the end of Section 10.07 of the Development Agreement:

This development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. **Governing Law.** The following language is added to the end of Section 10.09 of the 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 10.08 of the 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. **Acknowledgements.** The following language is added as a new Section 10.16 of the Development Agreement:

All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

DOUGHNUTTERY FRANCHISE, LLC

FRANCHISE OWNER

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

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

DATED: _____

[Print Name of Franchisee Entity]

By: _____
[Signature of person signing on behalf of 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 DOUGHNUTTERY FRANCHISE, LLC
DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Development Agreement (defined below), by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company organized whose principal business address is located at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____, a _____ with its principal address at _____ (“you” or “your”).

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

2. **Infringement.** The following language is added to the end of Section 5.03 of the Development 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.

3. **Renewal and Termination.** The following is added to the end of Section 8 of the 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.

4. **Governing Law.** The following is added to the end of Section 10.09 of the Development Agreement:

However, nothing in this Section 10.09 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.

5. **Consent to Jurisdiction.** The following is added to the end of Section 10.08 of the 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 10.08 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.

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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 DOUGHNUTTERY FRANCHISE, LLC
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 Development Agreement (defined below), by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company organized whose principal business address is located at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____, a _____ with its principal address at _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Development Agreement that has been signed concurrently with the signing of this Rider (the “**Development Agreement**”). This Rider is annexed to and forms part of the 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 Development Agreement was made in the State of New York, and/or (b) you are a resident of New York and all or part of the Development Area will be located in New York.

2. **Assignment by Franchisor.** The following language is added to the end of Section 7.01 of the Development Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Development Agreement.

3. **Termination by You.** The following language is added to the end of Section 8 of the Development Agreement:

The franchisee 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.

4. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 10.09 and 10.08 of the Development Agreement:

The forgoing 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.

5. **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.

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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 DOUGHNUTTERY FRANCHISE, LLC
DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Development Agreement (defined below), by and between **DOUGHNUTTERY FRANCHISE, LLC**, a New York limited liability company organized whose principal business address is located at 425 West 15th Street, New York, NY 10011 (“we,” “us” or “our”), and _____, a _____ with its principal address at _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Development Agreement that has been signed at the same time as the signing of this Rider (the “**Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) all or part of the Development Area will be located in Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Development Agreement occurred in Washington.

2. **Initial Fees.** The following language is added to the end of Section 2.02 of the Development Agreement:

Despite the payment provisions provided in this Section, we will defer your payment of all development fees and initial payments until we have satisfied our initial pre-opening obligations to you and you are open for business. The deferral of the development fee will be pro-rated, such that the you will pay us the development fee proportionally upon the opening of each Doughnuttery Shop.

3. **Addition of Paragraphs.** The following is added to the end of the Development Agreement:

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Act**”), the Development Agreement of Doughnuttery Franchise, LLC shall be modified as follows:

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 Development 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 Development 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 Development 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.

~~The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.~~

~~In any litigation, arbitration, or mediation involving a franchise purchased in Washington, the site thereof shall be either in the state of Washington, or in a place mutually agreed upon at that time, or as determined by the judge, arbitrator, or mediator, as applicable.~~

~~In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW shall prevail.~~

~~A release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.~~

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

DOUGHNUTTERY FRANCHISE, LLC

By: _____
Evan Feldman, CEO and Chief
Doughnut Officer

DATED: _____

FRANCHISE OWNER

**(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 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:_____

EXHIBIT G
FINANCIAL STATEMENTS

DOUGHNUTTERY FRANCHISE, LLC

Financial Statements

December 31, 2019 and 2018

DOUGHNUTTERY FRANCHISE, LLC

Table of Contents

December 31, 2019 and 2018

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations	3
Statements of Changes in Member's Equity (Deficiency).....	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-7

INDEPENDENT AUDITORS' REPORT

The Member
Doughnuttery Franchise, LLC
New York, NY

We have audited the accompanying financial statements of Doughnuttery Franchise, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in member's equity (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Doughnuttery Franchise, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP

Melville, New York

April 30, 2020



PrimeGlobal

An Association of
Independent Accounting Firms

DOUGHNUTTERY FRANCHISE, LLC

Balance Sheets

	<i>December 31,</i>	
	<i>2019</i>	<i>2018</i>
ASSETS		
<i>Current Assets</i>		
Cash	\$ 62,085	\$ 33,268
Accounts receivable	1,000	-
Deferred franchise costs	<u>17,950</u>	<u>-</u>
	<u>\$ 81,035</u>	<u>\$ 33,268</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIENCY)		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ -	\$ 3,000
Deferred revenue	<u>89,750</u>	<u>-</u>
	<u>89,750</u>	<u>3,000</u>
<i>Member's Equity (Deficiency)</i>	<u>(8,715)</u>	<u>30,268</u>
	<u>\$ 81,035</u>	<u>\$ 33,268</u>

DOUGHNUTTERY FRANCHISE, LLC

Statements of Operations

	For the Years Ended December 31,	
	2019	2018
Revenue		
Franchise fees	\$ 250	\$ -
Royalties	1,000	-
License fees	<u>3,388</u>	<u>-</u>
	<u>4,638</u>	<u>-</u>
Selling, General, and Administrative Expenses		
Travel	711	-
Professional fees	29,523	56,395
Marketing	12,450	-
Software	2,387	-
Training	1,000	-
Commissions	50	-
Meals and entertainment	601	-
Consulting	47,226	5,732
Office	381	-
Taxes and licenses	3,300	1,000
Miscellaneous	<u>992</u>	<u>-</u>
	<u>98,621</u>	<u>63,127</u>
Net Loss	<u>\$ (93,983)</u>	<u>\$ (63,127)</u>

See notes to financial statements.

DOUGHNUTTERY FRANCHISE, LLC

Statements of Changes in Member's Equity (Deficiency)

For the Years Ended December 31, 2019 and 2018

Balance - August 18, 2017 (inception)	\$ -
Contributions from member	93,395
Net loss	<u>(63,127)</u>
Balance - December 31, 2018	30,268
Contributions from member	55,000
Net loss	<u>(93,983)</u>
Balance - December 31, 2019	<u>\$ (8,715)</u>

DOUGHNUTTERY FRANCHISE, LLC

Statements of Cash Flows

	<i>For the Years Ended December 31,</i>	
	<i>2019</i>	<i>2018</i>
Cash Flows from Operating Activities		
Net loss	\$ (93,983)	\$ (63,127)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Changes in operating assets and liabilities:		
<i>(Increase) in:</i>		
Accounts receivable	(1,000)	-
Deferred franchise costs	(17,950)	-
<i>Increase (decrease) in:</i>		
Accounts payable and accrued expenses	(3,000)	3,000
Deferred revenue	<u>89,750</u>	<u>-</u>
	<u>(26,183)</u>	<u>(60,127)</u>
Cash Flows from Financing Activities		
Contributions from member	55,000	40,000
Payments on behalf of the Company paid by member	<u>-</u>	<u>53,395</u>
	<u>55,000</u>	<u>93,395</u>
Net Increase in Cash	28,817	33,268
Cash - beginning	<u>33,268</u>	<u>-</u>
Cash - end	<u>\$ 62,085</u>	<u>\$ 33,268</u>

See notes to financial statements.

DOUGHNUTTERY FRANCHISE, LLC

Notes to Financial Statements

December 31, 2019 and 2018

1 - ORGANIZATION AND NATURE OF BUSINESS

Doughnuttery Franchise, LLC (the "Company") is a limited liability company formed on August 18, 2017 in the State of New York. In 2018, the Company was capitalized and commenced operations to grant the rights to own and operate Doughnuttery Restaurants, offering doughnuts, coffee and other food and beverage products. The Company shall grant each franchisee a transferable right to use the "System," which consists of business formats, methods, procedures, proprietary products, signage, designs, layouts, standards, specifications and marks, and to provide the approved services in accordance with the System. Through December 31, 2019, the Company has granted three franchises. One franchise opened as of December 31, 2019. No franchises were granted in 2018 or prior. Also, in 2019, the Company granted a single licensee the right to operate a number of Doughnuttery shops within the licensee's existing shops in a cobranded format.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Cash Equivalents** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.
- b. **Revenue Recognition** - The Company recognizes revenues as follows:

The Company adopted Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers ("ASC 606") as of January 1, 2019 using the modified retrospective method. This method allows the Company to apply ASC 606 to new contracts entered into after December 31, 2018, and to its existing contracts for which revenue earned through December 31, 2018 has been recognized under the guidance in effect prior to the effective date of ASC 606. The revenue recognition processes the Company applied prior to adoption of ASC 606 align with the recognition and measurement guidance of the new standard, therefore adoption of ASC 606 did not require a cumulative adjustment to opening equity.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 over the life of the franchise agreement, as defined. Related direct franchise sales costs are deferred and amortized as they relate to the deferred revenue.

Royalty fee income is recognized monthly as a percentage of gross sales, as defined in the franchise agreements.

License income is recognized monthly as a percentage of gross sales.

- c. **Estimates** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.
- d. **Accounts Receivable** - Accounts receivable are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due accounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience. No allowances for uncollectible accounts were deemed necessary at December 31, 2019 and 2018.
- e. **Start-Up Costs** - Start-up costs are expensed as incurred.
- f. **Advertising** - Advertising costs are expensed as incurred.
- g. **Income Taxes** - The Company is a single member limited liability company that is treated as a disregarded entity for income tax purposes. The Company's taxable income or loss is reportable by its sole member. Therefore, no provision has been made for income taxes.

3 - CONCENTRATION OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company places its cash with a high quality credit institution. Cash in banks is insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation ("FDIC"). At times, such balances may be in excess of the FDIC insurance limit. There was no exposure at December 31, 2019.

4 - RELATED PARTY TRANSACTIONS

The Company has been licensed the right to use and to sublicense the Doughnuttery trademark, owned by an affiliate in which the sole member is a stockholder. To date, no license fees have been charged.

The Company is currently operating out of a facility in New York, NY owned by a related party, without charge.

5 - SUBSEQUENT EVENTS

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. At the date of the issuance of the financial statements, one franchisee and one licensee were open and doing limited business. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

Subsequent events have been evaluated through April 30, 2020, the date the financial statements were available to be issued.

EXHIBIT H

OPERATIONS MANUAL TABLE OF CONTENTS

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1	6 Pages
1. The Purpose of the Manual	2	
2. How to Use this Manual	3	
3. The Doughnuttery Story	5	
4. The Doughnuttery Brand.....	6	
4.1. The Brand Vision	6	
4.2. The Brand Mission	6	
4.3. The Brand Values	6	
CHAPTER 2: THE FRANCHISE RELATIONSHIP	1	20 Pages
1. The Franchisee/Franchisor Relationship	2	
1.1. Independent Contractor	2	
1.2. Independently Owned and Operated	2	
1.3. You Are the CEO of Your Business	3	
1.4. Joint Employment & Vicarious Liability	3	
1.5. Prices & Price Fixing.....	4	
2. Our Obligations	5	
2.1. Pre-opening Assistance	5	
2.2. Continuing Assistance	6	
3. Your Obligations.....	7	
3.1. Owner Participation in the Business	7	
3.2. Compliance.....	7	
3.2.1. The Doughnuttery Standards	8	
3.2.2. Laws.....	8	
3.2.3. Fees & Taxes	8	
3.3. Site Selection and Lease Acquisition	8	
3.4. Site Development	8	
3.5. Pre-opening Purchases/Leases	8	
3.6. Training	9	
3.6.1. Initial Training	9	
3.6.2. Grand Opening Training	9	
3.6.3. Various Training	10	
3.7. Meeting Attendance	10	
3.8. Use of Marks & Proprietary Information	10	
3.9. Books, Records & Reports	10	
3.9.1. Chart of Accounts	10	
3.9.2. Accounting System	11	
3.10. Audits and Inspections	11	

3.11. Insurance	11
3.12. Ongoing Purchases	12
3.13. Maintenance & Remodeling.....	12
3.14. Approved Products and Services	12
3.15. Approved Vendors	12
3.16. POS System	12
3.17. Variances.....	13
3.17.1. Requesting a Variance	13
3.17.2. Requesting New Products/Menu Items.....	13
4. Establishing Your Business Entity	15
4.1. Naming & Identification.....	15
4.1.1. Correct Use of the Name	15
4.1.2. Sample Business Names	16
4.1.3. Governing Documents	16
4.2. Tax Identification Numbers	16
5. Transfer Your Franchise Agreement	18
5.1. Initial Assignment.....	18
5.1.1. Process	19
5.2. Change in Ownership	19
5.2.1. Process	20
CHAPTER 3: OPERATIONAL BRAND STANDARDS.....	1
1. Overview.....	2
1.1. Objectivity and Measurement	2
1.2. Standards Audits	2
2. Operations Standards.....	3
2.1. Minimum Hours of Operation	3
2.2. Menus	3
2.2.1. Menu Boards	3
2.3. Interior Signs and Marketing	3
2.4. Music	4
2.5. Recipes & Production.....	4
2.6. Cleanliness & Organization Standards	4
2.6.1. Doughnut Machine	5
2.6.2. Counter/Order/Cashier Areas	5
2.6.3. Sneeze Guard & Glass Surround	5
2.6.4. Sugars & Glazes Area.....	6
2.6.5. Batter Area	6
2.6.6. Beverage Area	7
2.6.7. Doughnut Box Storage Area	7
2.6.8. Back Counter	7
2.6.9. Retail Display (Where Applicable).....	7

13 Pages

2.7. Uniform Standards.....	7
2.8. Appearance Standards	8
3. Menu & Recipes	9
4. Service Standards	10
4.1. Greeting	10
4.2. Telephone Greeting	10
4.3. Taking the Order	10
4.4. Send Off	10
4.5. Catering	11
4.6. Delivery.....	11
4.7. Requests for Information	11
4.7.1. Nutritional Information.....	11
4.7.2. Allergens	11
4.7.3. Media Policy.....	11
4.8. Sensitive Subjects	11
5. Processing the Order	13
5.1. Cash, Credit & Debit Cards	13
5.2. PCIDSS Compliance	13
5.3. Gift Cards	13
5.3.1. Gift Card Reordering.....	13
5.4. Loyalty Program	13
 CHAPTER 4: STAFFING.....	 1
	9 Pages
1. Overview and Disclaimer.....	2
2. Laws and Requirements	3
2.1. @ Our Franchise	3
3. Job Descriptions	4
3.1. Elements of a Job Description.....	4
3.2. Suggested Positions & Descriptions.....	4
3.3. Manager	4
3.4. Shift Leader	4
3.5. Doughnuteer/Cashier	4
3.6. Night Porter	5
3.7. Back Office/Catering Manager.....	5
4. Hiring Resources & Tools.....	6
5. Recruiting	7
5.1. Lead Sources	7
6. Effective Staffing	9
 CHAPTER 5: OPERATIONS BEST PRACTICES	 1
	18 Pages
1. Basic Principles.....	2
1.1. Production Planning	2

1.2. Ordering & Storage.....	3
2. Suggested Service Responsibilities	4
2.1. Manager On Duty	4
2.2. Doughnuteer	5
2.3. Cashier	5
2.4. Night Porter	5
3. Special Needs	6
3.1. ADA Requirements.....	6
3.2. Service Animals	6
4. Customer Payment	7
4.1. Incorrect Orders	7
4.2. Invoices for Delivery & Catering.....	7
5. Daily Operating Routines	8
5.1. Opening Procedures	8
5.2. Mid-Day Routines	8
5.2.1. Shift Change	8
5.3. Closing Routines	9
5.3.1. Closing the POS	10
6. Large Orders	11
7. Catering & Events.....	12
8. Making Doughnuts.....	13
8.1. The Machine	13
8.1.1. Flow & Pace	13
8.1.2. Shortening.....	13
8.1.3. Batter.....	13
8.2. Sugaring	13
8.2.1. Sugar Flavors	13
8.2.2. Small Orders	13
8.2.3. Large Orders.....	13
8.3. Glazes and Sprinkles	13
9. Customer Issues	14
9.1. Documenting Customer Complaints.....	14
10. Suggested Controls.....	16
10.1. Purchasing, Ordering & Receiving.....	16
10.1.1. Ordering Goods	16
10.1.2. Receiving Goods	16
10.1.3. Returning Goods.....	16
10.2. Inventory	16
10.2.1. Daily.....	17
10.3. Outside Services	18
10.3.1. Trash and Recycling	18
10.3.2. Grease Disposal	18

CHAPTER 6: SAFE FOOD HANDLING	1	10 Pages
1. Health Regulations and Sanitation Standards.....	2	
1.1. Food Handling and Safety Certification	2	
2. Hazard Analysis & Critical Control Points (HACCP)	4	
3. Personal Hygiene	5	
4. Food Borne Illness	6	
4.1. About Food Borne Illness	6	
4.2. Food Borne Illness Complaints	6	
5. Cross-Contamination	7	
6. Material Safety Data Sheets.....	8	
7. Health Department Inspections.....	9	
8. General Health & Safety.....	10	
 CHAPTER 7: ADMINISTRATION & PROFITABILITY	 1	 17 Pages
1. Overview.....	2	
2. Sales	3	
2.1. Calculating Customer Counts.....	3	
2.2. Average Customer Check.....	3	
3. Food	4	
3.1. Ideal Costs	4	
3.1.1. Doughnut Counts	4	
3.2. Receiving Best Practices	4	
3.2.1. Storage & Rotation	5	
4. Managing the Numbers	6	
4.1. POS Report Options	6	
4.1.1. Daily.....	6	
4.1.2. Weekly	6	
4.1.3. Month/Period	7	
5. Risk Management.....	8	
5.1. Safe	9	
5.2. Food Safety Claims	9	
5.3. Workplace Safety	10	
5.3.1. Line Safety	11	
5.3.2. Grease & Sugar.....	12	
5.3.3. Spills and Water.....	12	
5.3.4. Workplace Violence	12	
5.3.5. Severe Weather and Fire Safety	12	
5.3.6. Gas Leak.....	13	
5.3.7. Bomb Threat	13	
5.3.8. Robbery or Assault.....	13	
5.3.9. Emergency Care	14	

5.4. Incident Reports	14
6. General Scheduled Maintenance	16
6.1. Doughnut Machine	16
6.2. Refrigerators.....	16
6.3. Drains.....	16
6.4. Grease Trap	16
6.5. Ice Machines.....	17
6.6. Sinks.....	17
6.7. Bubblers.....	17
6.8. Beverages	17
6.8.1. Hot Beverages.....	17
6.8.2. Cold Beverages	17

Total Pages in Manual - 93

EXHIBIT I

SAMPLE FORM OF GENERAL RELEASE

DOUGHNUTTERY FRANCHISE, LLC
GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

DOUGHNUTTERY FRANCHISE, LLC (“we,” “us,” “our,” or “Franchisor”) and the undersigned franchisee, _____ (“you,” “your,” or “Franchisee”), currently are parties to a certain franchise agreement dated _____ (the “Franchise Agreement”). You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our affiliates, our and their current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Franchisor Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties (1) arising out of or related to the Franchisor Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

[Signature Page Follows]

DOUGHNUTTERY FRANCHISE, LLC,
a New York limited liability company

a/an _____

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT J
LISTS OF CURRENT AND FORMER FRANCHISE OWNERS

LISTS OF CURRENT AND FORMER FRANCHISE OWNERS

Franchise Owners and Area Developers as of the Prior Fiscal Year End:

~~[NONE]~~

Arizona Doughnuttery, LLC*
3111 West Chandler Blvd.
Chandler, AZ 85226
480-530-0064
(Open as of 12/31/2019)

The Doughnuttery of NOVA, Inc.*
Tyson's Corner Mall
1961 Chain Bridge Road
McLean, VA 22102
703-819-1117
703-568-0078
(Not yet open as of 12/31/2019)

ML Doughnuts, LLC*
Location to be determined in Wisconsin
847-393-6358
414-405-8657
(Not yet open as of 12/31/2019)

* Area Developers

Franchise Owners Since the Prior Fiscal Year End:

~~——— Since its prior fiscal year end, Doughnuttery Franchise, LLC has entered into a License & Supply Agreement, which agreement differs from the Franchise Agreement that will be entered into by franchise owners under the Franchise Disclosure Document, with the following licensee:~~

~~It'Sugar, LLC~~
~~1211 Celebrity Circle~~
~~Myrtle Beach, South Carolina 29577~~
~~(843) 282-6306~~

[NONE]

Former Franchise Owners that Departed the Franchise Network during Prior Fiscal Year:

The name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of each franchisee who had an outlet terminated, canceled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document, is listed below. The states listed below in which these former franchisees may be contacted are not necessarily the same states in which the former franchise owners' franchised businesses were located. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

[NONE]

EXHIBIT K
FRANCHISE OWNER DISCLOSURE QUESTIONNAIRE

FRANCHISE OWNER DISCLOSURE QUESTIONNAIRE

As you know, Doughnuttery Franchise, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Doughnuttery Shop franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized, or that may be untrue, inaccurate or misleading, in order to be certain that you have been properly represented in this transaction and that you understand the limitations on claims you may make arising from the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the receipt for the Franchise Disclosure Document; instead, you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, then please explain your answer on the back of this sheet.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes__ No__ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes__ No__ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 6. Have you discussed the benefits and risks of developing and operating a Doughnuttery Shop franchise with an existing Doughnuttery Shop franchisee?
- Yes__ No__ 7. Do you understand the risks of developing and operating a Doughnuttery Shop franchise?
- Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes__ No__ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in New York?
- Yes__ No__ 10. Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open,

or otherwise before we will consent to a transfer of your franchised business?

Yes___ No___ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Doughnuttery Shop franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes___ No___ 12. Do you agree that no employee or other person speaking on our behalf made any statement or promise to you, or any agreement with you, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes___ No___ 13. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Doughnuttery Shop franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes___ No___ 14. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Doughnuttery Shop business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding? When considering this question, please note that nothing in the Franchise Agreement or the attachments to the Franchise Agreement will disclaim or require you (the franchisee) to waive reliance on any representation that we made in our most recent franchise disclosure document (including its exhibits and amendments) delivered to you or your representative.

[Signature Page Follows.]

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated

Dated

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated

Dated

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

EXHIBIT L

STATE ADDENDA TO DISCLOSURE DOCUMENT

**ADDITIONAL DISCLOSURES FOR THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF
DOUGHNUTTERY FRANCHISE, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Doughnuttery Franchise, LLC required by various state franchise laws.

CALIFORNIA

1. 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.

2. 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.

3. OUR WEBSITE, www.doughnuttery.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

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

5. The following paragraph is added at the end of Item 5 of the Disclosure Document:

The Department of Business Oversight requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

6. 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. This provision may not be enforceable under California law.

Arbitration. The Franchise Agreement requires binding arbitration. The arbitration will occur at a suitable location chosen by the arbitrator in New York, New York, with the costs being borne as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

Interest Rate. The highest interest rate allowed by law in California is 10% annually.

Governing Law. The franchise agreement requires application of the laws of New York. This provision may not be enforceable under California law.

Releases. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

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

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Despite the payment provisions provided in Item 5 of the Franchise Disclosure Document, we will defer your payment of initial franchise fees until we have satisfied our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

MARYLAND

1. The following language is added to Item 5 of the Disclosure Document:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. 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:

Any general releases you sign as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**, of the Disclosure Document is amended by adding the following:

The agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

4. The "Summary" section of Item 17(v), entitled **Choice of forum**, of the Disclosure Document is amended by adding the following:

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. The following language is added to the end of Item 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

MICHIGAN

The following language is added after the “State Effective Date” page and before the “Table of Contents” page of the Disclosure Document:

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MICHIGAN FRANCHISE INVESTMENT LAW

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 assent to a release, assignment, novation, waiver or estoppel which deprives franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits 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 reasonably 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 of 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 or ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL. ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attention: Franchise Section
670 Law Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

1. The Item 6 chart row entitled “Insufficient Funds Processing Fee” 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:

Insufficient Funds Processing Fee	\$30	As agreed	Due if you have insufficient funds in your EDTA to cover a payment, or, if you pay by check, a check is returned for insufficient funds
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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 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.

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 A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither we, any predecessor, any person identified in Item 2, or an affiliate offering franchises under our principal trademark:

(a) has an administrative, criminal, or civil action pending against us, it, him, or her 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) 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 been held liable in a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable allegations.

(c) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, as a result of 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 paragraph is added at the beginning of Item 4 of the Disclosure Document:

Except as described below, neither we nor any of our affiliates, predecessors, or officers identified in Item 2 have, during the 10-year period immediately preceding the date of the Disclosure Document: (a) filed as debtor (or had filed against us, it, him, or her) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy code; (b) obtained a discharge of our, its, his, or her debts under the U.S. Bankruptcy Code or any foreign bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy code or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy code during or within 1 year after the officer or general partner held this position in the company or partnership.

4. The following is added at the end of Item 5 of the Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The first paragraph of the Item 17 chart is deleted and replaced with the following:

EACH TABLE BELOW LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

6. 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 Franchise Agreement chart in the Disclosure Document are amended by adding the following:

, 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 this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

7. The “Summary” section of Item 17(d), entitled **Termination by franchisee**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

You also may terminate the agreement on any grounds available by law.

8. The “Summary” section of Item 17(j), entitled **Assignment of contract by franchisor**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

However, to the extent required by applicable law, we will not make an assignment except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the agreement.

9. The “Summary” sections of Items 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document are amended by adding the following:

This choice of law and forum should not be considered a waiver of any right conferred upon you by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

10. 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 made in New York if you are domiciled in and the franchise will be operated 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.

VIRGINIA

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.

WASHINGTON

1. The following language is added to Item 5 of the Disclosure Document:

Despite the payment provisions above, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening

obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until we have satisfied our initial pre-opening obligations to you and you are open for business. The deferral of the development fee will be pro-rated, such that the you will pay us the development fee proportionally upon the opening of each Doughnuttery Shop.

2. In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Washington Act**”), the Franchise Disclosure Document and Franchise Agreement of Doughnuttery Franchise, LLC shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any litigation, arbitration, or mediation involving a franchise purchased in Washington, the site thereof shall be either in the state of Washington, or in a place mutually agreed upon at that time, or as determined by the judge, arbitrator, or mediator, as applicable.

In the event of a conflict of laws the provisions of the Washington Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Act, or rights or remedies under the Washington Act such as a right to a jury trial, might 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

NEW YORK REPRESENTATIONS PAGE

THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

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:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	
<u>Hawaii</u>	
<u>Illinois</u>	
<u>Indiana</u>	
<u>Maryland</u>	
<u>Michigan</u>	
<u>Minnesota</u>	
<u>New York</u>	
<u>North Dakota</u>	
<u>Rhode Island</u>	
<u>South Dakota</u>	
<u>Virginia</u>	
<u>Washington</u>	
<u>Wisconsin</u>	

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.

RECEIPT

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

If Doughnuttery Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Doughnuttery Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Doughnuttery Franchise, LLC, located at 425 West 15th Street, New York, New York 10011. Its telephone number is 212-633-4359.

Issuance date: ~~April 5~~ April 30, 2020~~19~~.

The franchise sellers for this offering are: Evan Feldman at 425 West 15th Street, New York, New York 10011, and 212-339-4359; Andy Bailen at 20 Knoll Top Court, Denville, New Jersey 07834, and 862-432-6111; and _____.

Doughnuttery Franchise, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated ~~April 5~~ April 30, 2020~~19~~ that included the following Exhibits:

Exhibit A	List of State Administrators	Exhibit H	Operations Manual Table of Contents
Exhibit B	List of State Agents for Service of Process	Exhibit I	Sample Form of General Release
Exhibit C	Franchise Agreement	Exhibit J	Lists of Current and Former Franchise Owners
Exhibit D	State Addenda to Franchise Agreement	Exhibit K	Franchise Owner Disclosure Questionnaire
Exhibit E	Development Agreement	Exhibit L	State Addenda to Disclosure Document
Exhibit F	State Addenda to Development Agreement		
Exhibit G	Financial Statements		

Date

(Sign, Date and Return to us, the franchisor)

Prospective Franchise Owner

Authorized Signature

RECEIPT

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Exhibit B	List of State Agents for Service of Process	Exhibit I	Sample Form of General Release
Exhibit C	Franchise Agreement	Exhibit J	Lists of Current and Former Franchise Owners
Exhibit D	State Addenda to Franchise Agreement	Exhibit K	Franchise Owner Disclosure Questionnaire
Exhibit E	Development Agreement	Exhibit L	State Addenda to Disclosure Document
Exhibit F	State Addenda to Development Agreement		
Exhibit G	Financial Statements		

Date

(Sign, Date and keep for your records)

Prospective Franchise Owner

Authorized Signature