FRANCHISE DISCLOSURE DOCUMENT

TSR Franchise Group LLC
A Pennsylvania limited liability company
22 Wolf Street
Philadelphia, PA 19148
267-634-9988
franchising@federaldonuts.com

We offer qualified individuals and entities the right to independently own and operate a donut, fried chicken, and coffee shop offering a rotating menu of donut flavors, including classic favors and unexpected flavors, along with twice-fried, super crispy chicken sandwiches and also chicken dishes with accompanying dipping sauces and dry seasonings (each, a "Shop").

The total investment necessary to begin operation of a Federal Donuts & Chicken franchise ranges from $578,000 to $727,500. This includes $50,000 that must be paid to the franchisor or its affiliate. The total investment necessary to enter into a Development Agreement for the right to develop the first of three (3) Shops established under a Development Agreement range from $678,000 to $827,500 which includes $100,000 that must be paid to the franchisor or its affiliate. This total includes the development fee that is due upon execution of the development agreement and the total investment to open and commence operations of your initial Shop.

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 to you. To discuss the availability of disclosures in different formats, contact Jeff Benjamin, CEO, TSR Franchise Group LLC, 22 Wolf Street, Philadelphia, PA 19148 or via telephone at 267-634-9988.

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 contracts 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: April 9, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Pennsylvania. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Pennsylvania than in your own state.
2. **Financial Condition**. 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.
3. **Short Operating History**. 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. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **Spousal Liability**. Your spouse may be required to 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.

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.

Table of Contents

Item 1
The Franchisor and Any Parents, Predecessors, and Affiliates

To simplify the language in this Disclosure Document "we", "us" or "our" means TSR Franchise Group LLC. "You" means the individual, corporation or partnership who buys the franchise from us. If the franchisee will operate through a corporation, company or partnership, "you" also includes the franchisee's owners or partners.

The Franchised Business

As described above, your Shop will be authorized to operate as a donut, fried chicken, and coffee shop offering a rotating menu of donut flavors, including classic favors as well as unexpected flavors, along with twice-fried, super crispy chicken sandwiches and also chicken dishes with accompanying dipping sauces and dry seasonings (collectively, the "Approved Products and Services"), with the highest level of customer service in a consistent, clean and friendly environment for your customers.

Your Shop will be operated using our Marks and in accordance with our proprietary operating system, which includes our valuable knowhow, information, trade secrets, methods, confidential operations manual (the "Operations Manual") and other proprietary manuals we may loan to you, recipes, standards and specifications, sales techniques, merchandising, marketing, advertising, inventory management systems, marketing and sales programs, fixture and furniture selection and other research and development connected with the establishment and operation of a Shop (collectively, the "System"), which we may modify from time to time as we deem appropriate in our sole discretion.

Your Shop will have approximately 1,500 square feet of leased or owned space, and your Shop will typically be either a stand-alone or in-line unit located in a high-traffic pedestrian and business location. In order to own and operate a Shop, you must enter into our current form of franchise agreement that is attached as **Exhibit B** to this Disclosure Document (the "Franchise Agreement").

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Shops within a designated geographical area (the "Development Area") under our current form of development agreement that is attached to this Disclosure Document as **Exhibit C** (the "Development Agreement"). The Development Agreement will outline a schedule or defined period of time in which you must open and commence operating each Shop (a "Development Schedule").

You will be required to sign a Franchise Agreement for your initial Shop at the same time you sign your Development Agreement. In addition, you will eventually need to sign our then-current form of Franchise Agreement for each of the Shops you open under the Development Schedule at the time prior to each additional Shop's opening, which may differ from the current Franchise Agreement included with this FDD.

You will be required to pay us a one-time development fee that will be calculated based on the number of Shops we grant you the right to open under the Development Agreement (the "Development Fee"), but you will not be required to pay any other initial franchise fee at the time you execute your Franchise Agreements for each Shop we permit you to open under your Development Agreement. See Item 5 for details.

The Franchisor

We are a Pennsylvania limited liability company formed on January 4, 2023. We do not do business under any other name except for our business name and our trade names "FEDERAL DONUTS" and "FEDERAL DONUTS & CHICKEN." Our principal place of business is 22 Wolf Street, Philadelphia, PA 19148. Our agents for service of process are listed on **Exhibit A**. We first began offering franchises for the right to operate Shops in February 2023. We do not sell franchises in any other line of business and, except as provided in this Item, we are not otherwise engaged in any other business activity.

In April 2023, we began operating a mobile food kitchen that offers a substantially similar menu as a Shop offered under this Disclosure Document but operates from within a food truck and travels to catered-style events or captive markets, such as universities and grocery stores. Other than having a similar menu, it does not operate in the same manner as a Shop offered under this Disclosure Document. As of April 2024, this mobile kitchen was transferred to one of our franchisees that operates in Pennsylvania.

We grant franchises for the right to independently own and operate a donut, fried chicken and coffee shop offering a rotating menu of donut flavors, including classic favors as well as unexpected flavors, along with twice-fried, super crispy chicken sandwiches and also chicken dishes with accompanying dipping sauces and dry seasonings (previously defined as a "Shop"). The Shops operate under the marks FEDERAL DONUTS, FEDERAL DONUTS (and design), FEDERAL DONUTS & CHICKEN, FEDERAL DONUTS & CHICKEN (and design) and any other proprietary marks we may designate in the future (the "Marks"), and also operate utilizing our proprietary business system described more fully below.

Our Parent, Predecessors and Affiliates

We have no predecessors that need to be disclosed in this Item.

Our parent, TSRFD, LLC, is a Pennsylvania limited liability company formed on August 5, 2015. Its principal place of business is 22 Wolf Street, Philadelphia, PA 19148. Our parent does not provide any products or services to franchisees, does not sell franchises in this or any other line of business and is not otherwise engaged in any other business activity. Our parent is the owner of the Marks.

Our affiliate, TSR7, LLC, is a Pennsylvania limited liability company formed on May 20, 2013. Its principal place of business is 22 Wolf Street, Philadelphia, PA 19148. Our affiliate acts as a commissary providing certain inventory and supplies to franchisees located within its delivery area. Our affiliate does not sell franchises in this or any other line of business and is not otherwise engaged in any other business activity. Our affiliate is currently a wholly owned subsidiary of our parent, TSRFD, LLC.

Our affiliate acts as a commissary for some of our franchisees and company-owned locations and, accordingly, provides certain items such as completed fancy donuts to these locations. We and/or our parent may add additional commissary operations to service geographic locations outside the reach of our affiliate and, if your Shop is located near this commissary, you may be required to purchase the above-listed items from this commissary.

Market and Competition

The donut, fried chicken and coffee shop business is highly competitive with respect to price, service, location, and food quality, and is often affected by changes in consumer tastes, economic conditions and population and traffic patterns. You will compete against all other businesses serving similar menu items. Sales are not seasonal in nature. Your competitive advantage in the marketplace will be based on your adherence to our System standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

Industry-Specific Regulations

As a participant in the food service industry by serving the Approved Products, your Shop will be subject to food service health and sanitation laws, rules, and regulations. You must check with state and local agencies regarding the applicable requirements and necessary licenses for operating a Shop.

Most states and local jurisdictions have also enacted other laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (i) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking; (iii) set standards pertaining to employee health and safety; (iv) regulate matters affecting requirements for accommodating disabled persons, including the Americans with Disabilities Act; (v) set standards and requirements for fire safety and general emergency preparedness; and (vi) regulate, or otherwise relate to or govern, the operation of a Shop generally.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity.

You must consult with your own attorney to ensure that the laws of the state where your Shop will be located permits you to provide the Approved Products and Services from your Shop. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a Shop, generally.

Item 2
Business Experience

<u>Chief Executive Officer: Jeff Benjamin</u>

Jeff has been our Chief Executive Officer since June 2024. Jeff served as our Manager from our inception in January 2023 until June 2024. Jeff also serves in the following roles located in Philadelphia, Pennsylvania:

- COO and Co-Founder of Vetri Restaurant Corporation since September 1998.
- Co-Founder and Board Member of Vetri Community Partnership since January 2008.
- Investor in Simply Good Jars since January 2019.
- Managing Partner of FNB+ since August 2017.

Founder: Michael Solomonov

Michael is our Founder, and has been so since our inception in January 2023. Michael also currently serves as the Vice President and Secretary of CookNSolo, Inc., located in Philadelphia, Pennsylvania, and has done so since February 2008.

Manager: Steven Cook

Steven has been our Manager since our inception in January 2023. Steven also currently serves as the President of CookNSolo, Inc., located in Philadelphia, Pennsylvania, and has done so since February 2008.

Chief Development Officer: Eric Lavinder

Eric has been our Chief Development Officer since September 1, 2024. Additionally, Mr. Lavinder has been the NSF Group Chief Development Officer for Food and Beverage since July 2024, a position he currently holds. Mr. Lavinder previously served as the Chief Development Officer for Paris Baguette in Moonachie, New Jersey, from September 2023 to June 2024. Mr. Lavinder also served as Chief Development Officer of Paris Baguette's affiliates, PBA and PBUSA, in Moonachie, New Jersey from September 2023 to June 2024. From January 2022 to September 2023, Mr. Lavinder was Chief Development Officer for Duck Donuts in Mechanicsburg, PA and from February 2018 to January 2022 he was the Chief Development Officer for WoWorks in St. Petersburg, FL.

Director of Operations: Braden Alsnauer

Braden has been our Director of Operations since February 2023. Previously, Mr. Alsnauer served as General Manager of Suraya, a restaurant located in Philadelphia, PA, from March 2022 until January 2023. Mr. Alsnauer was employed as front of house staff by Vetri Cucina, a restaurant in Philadelphia, PA from January 2022 until March 2022. Prior to that, Mr. Alsnauer was employed from 2017-2022 as both a Bar Manager and a General Manager with the Frasca Hospitality Group in Boulder, CO.

Item 3
Litigation

No litigation is required to be disclosed in this Item.

Item 4
Bankruptcy

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

Item 5
Initial Fee

Franchise Agreement

All franchisees must pay to us a $50,000 lump sum "Initial Franchise Fee" when signing the Franchise Agreement. The Initial Franchise Fee is deemed fully earned and non-refundable when you sign a

Franchise Agreement. The Initial Franchise Fee is uniform for all franchisees, except that in 2023, franchisees paid between $25,000 and $30,000 for a single Shop.

<u>Development Agreement</u>

All franchisees that are granted the right to open and operate multiple Shops within a designated geographical area under a Development Agreement, you must pay us a Development Fee. Your Development Fee is calculated based on the number of Shops that you are granted the right to open and is $50,000 for each Shop.

You will pay the Development Fee as follows: (a) upon signing the Development Agreement you will pay to us $50,000 for the Initial Franchise Fee for the first Shop, plus 50% of the Initial Franchise Fee for each additional Shop; and (b) the remaining 50% of each Initial Franchise Fee at the time you sign the Franchise Agreement for such Shop. For example, if you enter into a Development Agreement for the right to open three (3) Shops then your total Development Fee will be $150,000 and you will pay $100,000 at the time you sign the Development Agreement and then $25,000 at the time you sign the Franchise Agreement for your Second Shop and then $25,000 at the time you sign the Franchise Agreement for your third Shop.

Your Development Fee will be deemed fully earned upon the first portion of the payment and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

You will be required to enter into our then-current form of Franchise Agreement for each Shop you wish to open under your Development Agreement, but you will not be required to pay an Initial Franchise Fee in addition to the Development Fee. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first Shop we grant you the right to open within your Development Area concurrently with the Development Agreement.

Item 6
Other Fees

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales	The Tuesday of every week.	See Notes 1 and 2.
Brand Development Fund Fee	Up to 2% of Gross Sales Currently, not collected.	If collected, at the same time and in the same manner as the Royalty.	See Notes 1 and 2.
Grand Opening Advertising	$10,000 to $15,000	To be expended during the period 60 days prior to opening and 90 days after opening.	We will typically designate the exact amount you must expend on your Grand Opening Advertising within 30 days of the date you secure a

Type of Fee[1]	Amount	Due Date	Remarks
			Premises. This amount is payable to advertising vendors.
Transfer Fee	The greater of $25,000 or 50% of our then-current Initial Franchise Fee	Before consummation of transfer.	Payable when the Franchise Agreement, or a material portion of your assets or any interest in you is transferred; may be waived or reduced in our discretion.
Training Costs	$200 per day per trainee	Immediately when training services provided.	Payable for additional training services; may be waived or reduced in our discretion.
Technology Fee	Then-current fee, not currently collected.	If collected, at the same time and in the same manner as the Royalty.	We reserve the right to institute a Technology Fee, based on the development of new technologies for use in connection with the Shop.
Unapproved Supplier or Product Fee	$500 per occurrence	As incurred.	Payable to us if you either (a) offer or sell any unapproved product or (b) purchase product to be sold at the Shop from an unapproved supplier. Payment of this fee is not a waiver of our other rights and remedies as provided by the Franchise Agreement.
Renewal	The greater of $25,000 or 50% of our then-current Initial Franchise Fee	Upon signing successor Franchise Agreement.	Renewal Fee may be waived or reduced in our discretion.
Reimbursement for Deactivating Domain Names Containing Marks	Costs and attorney fees; will vary under circumstances	Upon demand.	Payable if a domain name or any domain name containing any Mark is registered by you and it does not comply with the requirements of the Franchise Agreement.

Type of Fee[1]	Amount	Due Date	Remarks
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable if incurred by us (a) in obtaining injunctive or other relief for the enforcement of any term of the Franchise Agreement or (b) revising any agreements or documents in connection with the Shop at your request.
Liquidated Damages	If payable, equal to the average weekly Royalty Fees and Brand Development Fund Contributions you paid or owed to us during the 12 months preceding the termination multiplied by 24.	On demand	Payable only if we terminate the Franchise Agreement based on your default.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your franchise operations.
Interest and Late Charges	$50 per late report and/or late payment plus interest at lesser of 1.5% per month or highest rate allowed by law	Assessed and/or withdrawn by ACH on or after the tenth day following the billing cycle.	Interest assessed on all overdue amounts the tenth day following the billing cycle; may be waived or reduced in our discretion.
Audit Expenses	Cost of audit (which can vary greatly, but are anticipated to range from $1,000-$5,000, plus out-of-pocket travel expenses) and amount of understatement plus interest at 18% per annum, or the maximum amount allowable by law.	Immediately upon receipt of audit report	Audit costs payable only if understatement greater than 2% for any week; may be waived or reduced in our discretion.

Notes:

1. Unless otherwise indicated above, all fees are imposed and collected by and payable to us. All fees are non-refundable and are imposed uniformly. We will automatically draft Royalty Fees, the Brand Development Fund Fee and any additional fees from your bank account according to the terms of the Franchise Agreement. Royalty Fees and Brand Development Fund Fees are determined by the Gross Sales recorded in the POS System you are required to use in connection with your Shop and are reconciled when weekly bookkeeping is finalized.

2. Gross Sales include all revenues and income from the sale of food products, beverages, and other merchandise, products, and services to your customers, whether or not sold or performed at or from the Shop, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not you receive payment) or otherwise. Gross Sales excludes sales or use tax. All barter and/or exchange transactions in which you furnish goods and/or services in exchange for goods or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services provided by you. We have the right to examine or audit your books, records, state sales tax returns and accounts. If the audit shows that you underestimated Gross Sales by two percent (2%) or more then you must pay the unpaid plus interest on the underestimated amounts and the cost of the audit. Otherwise, we pay the cost of the audit.

Item 7
Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee[1]	$50,000	$50,000	Lump sum	At signing of Franchise Agreement	Us
Construction, Leasehold Improvement, Furniture and Fixtures[2]	$302,785	$352,785	As incurred	Before opening	Contractor/ Third-party providers
Equipment[3]	$100,000	$120,000	As incurred	Before opening	Third-party providers
Signage (interior and exterior)[4]	$5,000	$7,000	As incurred	Before opening	Third-party providers

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Computer, Software, Gift Card Program and Related Software, and Point of Sales System[5]	$8,000	$13,000	Lump Sum	Before opening	Third-party providers
Initial Inventory[6]	$15,000	$25,000	As incurred	Before opening	Third-party providers
Rent and Rent Deposits[7]	$13,000	$25,000	As incurred	Before opening	Landlord
Utility Deposits[8]	$0	$5,000	As incurred	Before opening	Utility providers
Insurance[9]	$5,000	$10,000	As arranged	Before opening	Insurance company
Initial Training Expenses[10]	$1,000	$5,000	As incurred	Before opening	Airline, hotel, restaurants
Professional Fees[11]	$5,000	$10,000	As arranged	Before opening	Attorneys, accountants, architects, engineers, surveyors
Business Permits and Licenses[12]	$1,000	$2,500	As incurred	Before opening	Licensing Authorities
Grand Opening Advertising[13]	$10,000	$15,000	As Incurred	Before and after opening	Advertising and Marketing Vendors
Additional funds – 3 Months[14]	$10,000	$35,000	As incurred	After opening	Various
Total [15]	**$525,785**	**$675,285**			

Notes:

General. We do not make any representation regarding whether any amounts paid to third parties are refundable. Amounts paid to us are not refundable unless otherwise specified. Neither we nor any affiliate of ours finances any part of the initial investment.

1. Initial Franchise Fee. Please see Item 5 for additional information about the Initial Franchise Fee.

2. Construction, Leasehold Improvements, Furniture and Fixtures. You will be required to either build or renovate prior to opening, which includes demolition (if necessary), installing flooring, wall surfaces, installing equipment, a serving counter, and

installing/renovating a restroom. All or some of these improvements may be paid for by your landlord and/or reimbursed through a tenant improvement allowance. You should consult with your real estate professional during the site selection process regarding any such expenses covered by the landlord and the amount of a possible tenant improvement allowance that can be used to lower this overall estimate. Based on our experience in the 24 months prior to the issuance of this Disclosure Document, tenants received an average of $52,215 in tenant improvement allowance to be used toward construction costs, which was initially paid by tenant but reimbursed by the landlord within 90 days of opening. While tenants are required to pay for the construction and leasehold improvements up front, the tenant improvement allowance was reimbursed within the first 90 days of opening. Should your landlord be unwilling to grant a tenant improvement allowance, you would be responsible for the total construction costs, and it would increase your overall project cost. The stated ranges include the estimated average tenant improvement allowance received by each franchisee. The estimates are based on our affiliates' experience in opening the existing company-owned Shops.

3. Equipment. All franchisees must purchase initial equipment and other items from Approved Suppliers prior to opening the Shop. The amount in this chart is an estimate for a lump sum payment of purchasing equipment and fixtures that you will need for the Shop.

4. Signage. This estimate is for the exterior and interior signage required for the Shop that must comply with our design requirements and must be lit at all times. This total includes the fees payable to the Franchisor for the required seasonal specials & promotions signage.

5. Computer, Software and Point of Sales System. You must purchase from an Approved Supplier and use the POS System designated by us in your Shop. This estimate includes the hardware and software of the Computer System, including a $475 startup fee and a $279 per month fee charged by the Approved Supplier of the POS System. The exact components of the POS System are subject to change and are more fully described in Item 11.

6. Initial Inventory. All franchisees must purchase initial inventory from an Approved Supplier prior to opening the Shop. Specifically, franchisees are required to purchase an initial supply of chicken, donut batter, finishing ingredients for decorating donuts, coffee beans, uniforms and branded retail merchandise.

7. Rent and Rent Deposits. This estimate represents three (3) months of rent. The amount you pay in rent will vary based on your geographic location. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract.

8. Utility Deposits. This estimate represents the utility deposits you will be required to pay for the Shop. Some issuing companies may not require a utility deposit. A credit check may be required by the issuing company prior to the initiation of services, or a higher deposit required for first time customers, both of which may increase your costs. These costs will

vary depending on the type of services required for the Shop and the municipality from which they are being contracted.

9. Insurance. Before you open your Shop, you must purchase and maintain, at your sole expense, the insurance coverage that we specify in the Franchise Agreement and Operations Manual. This includes comprehensive general liability insurance, property and casualty insurance, statutory workers' compensation insurance, employer's liability insurance, and product liability insurance. You must show proof of coverage, meeting the insurance requirements outlined in the Franchise Agreement and Operations Manual and you must name us as additional insureds. We reserve the right to reject an insurance certificate that you provide if it does not meet the required limits or standards of quality if, in our sole opinion, the insurance does not sufficiently protect us, you or your customers.

10. Initial Training Expenses. This estimate represents the cost of up to two (2) people attending training. You must attend training at one of the existing Shops located in Philadelphia, Pennsylvania, or in such place as we designate within the United States, and you are responsible for all travel expenses including food, transportation, and lodging.

11. Professional Fees. Fees payable to architects, engineers, surveyors, attorneys, accountants, and other professionals will vary depending on various factors, including, but not limited to, such variables as the condition of the Shop premises upon lease inception; the extent to which the premises must be modified prior to use as a Shop; the requirements of local planning, zoning, and construction officials; and your experience in financial and legal matters.

12. Business Permits and Licenses. You must comply with federal, state and local license, certificate and permit requirements for the operation of your Shop. The requirements of states vary. You should determine what laws apply to you before acquiring a franchise. You must obtain and pay for these licenses and/or permits before opening your Shop.

13. Grand Opening Advertising. You are required to expend between $10,000 and $15,000 during the period between 60 days prior to opening the Shop and 90 days after opening the Shop in an effort to market, promote and advertise the Shop. We will typically designate the exact amount you must expend on your Grand Opening Advertising within 30 days of the date you secure a Premises. This amount is payable to advertising vendors.

14. Additional Funds. This is an estimate of the amount of additional operating capital that you may need to operate your Shop during the first three (3) months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the Shop that may exceed this estimate. This estimate also includes such items as additional inventory, initial payroll and payroll taxes, Royalties, Fund Contributions (if any), additional advertising, marketing and/or promotional activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses (if applicable), and other miscellaneous items as offset by the revenue you take into the Shop. These items are by no means all-inclusive of the extent of the expense categorization. The expenses you incur during the initial start-up period will depend on factors such as the time of the

year that you open, both local economic and market conditions, as well as whether your Shop is located in a new or mature market and your business experience. We have relied on our experience in operating Shops and the experiences of our franchisees to compile these estimates.

15. Total. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. This total does not include tenant improvement allowance of $52,215 that is to be used toward construction costs, and is initially paid by tenant but reimbursed by the landlord within 90 days of opening.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT[1]

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Portion of the Development Fee[2]	$100,000	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Shop[3]	$525,785 to $675,285	See Chart A of this Item 7.		
TOTAL	**$625,785 to $775,285**	This is the total estimated initial investment for the right to own three (3) Shops, as well as the costs to open and commence operating your initial Shop for the first three (3) months (as described more fully in Chart A of this Item 7).		

Explanatory Notes

1. General Note. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three (3) Shops, as well as the initial investment to open your first Shops under your Development Schedule.

2. Portion of the Development Fee. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Initial Development Fee is for portion of the Development Fee that is immediately due for the right to open and operate a total of three (3) Shops (provided you comply with your development obligations under the Development Agreement).

3. Initial Investment to Open Initial Shop. This figure represents the total estimated initial investment required to open the initial Shop you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for the initial Shop you open under your Development Agreement, most likely once you have found a location for the Shop that we approve. The range includes all the items outlined in Chart 7.A. of this Item, except for the Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Shops you open under the Development Agreement). It does not include any of the costs you will incur in opening any additional Shop(s) that you are granted the right to open and operate under your Development Agreement or the remaining portions of

the Development Fee that are due upon signing additional franchise agreements because those payments will not be due/owed until after three (3) months of operation.

Item 8
Restrictions on Sources of Products and Services

Approved Suppliers and Approved Supplies

We require that all items and sources of supply that are used in connection with the Shop meet the specifications, requirements, and standards that we have, in our sole business judgment, formulated for use in the System. Prior to opening, we will provide you with a list (the "Approved Suppliers List") of manufacturers, suppliers, and distributors who are authorized for the Shop ("Approved Suppliers") and a list (the "Approved Supplies List") of approved food products, ingredients, sauces, inventory, fixtures, furniture, equipment, signs, digital signage, stationary, supplies, paper and packaging, and other items or services necessary to operate the Shop ("Approved Supplies").

Currently, all franchisees must also purchase the Initial Inventory from an Approved Supplier prior to opening the Shop. Specifically, franchisees are required to purchase an initial supply of chicken, donut batter, finishing ingredients for decorating donuts, coffee beans, uniforms and branded retail merchandise.

Franchisees are currently required to purchase all proteins, donut batter and other inventory from Approved Suppliers that are co-packers. The specific Approved Supplier for each of these items will be designated by Franchisor prior to opening the Shop and will depend on where the franchisee is located. We and/or our affiliate(s) will negotiate pricing from these Approved Suppliers on franchisees' behalf. We and our affiliates reserve the right to earn revenue from these Approved Suppliers. In our fiscal year ending December 31, 2024, neither we nor our affiliates derived any revenue from these Approved Suppliers.

Neither we nor any affiliate is the sole supplier of any product or service; however, if a commissary exists in your geographical area, our affiliate would be the sole supplier for certain items such as fancy donuts to your Shop. None of our officers own an interest in any Supplier.

We require a standard point of sale system ("POS System"). This computer hardware and software program is purchased by you through Approved Suppliers and is described in more detail in Item 11.

From time to time, we will negotiate purchasing deals for goods that you will use in connection with your Shop from Suppliers. We may receive rebates from Approved Suppliers. Rebates are usually based on the volume of the purchases and are calculated as a percentage of the franchisees' purchases.

As of December 31, 2024, we did not derive any material rebate revenue from suppliers related to purchases by any franchisee.

We estimate that the required purchases under our specifications will make up approximately 80% to 90% of your total initial investment and approximately 20% to 30% of your annual operating expenses.

In order for a supplier to be accepted by us as an Approved Supplier, a request for acceptance must be forwarded to us for consideration. We will apply the following general criteria in considering whether the supplier will be designated an Approved Supplier: (i) ability to consistently make the manufactured product to our standards, requirements, and/or specifications; (ii) agreement to protect our confidential information from dissemination to others, through production of private label products for us; (iii) production, delivery, and service capability, whether local, regional, or national, to meet supply and service commitments; (iv) financial standing, business reputation, and credit rating; (v) prices charged; (vi) compliance with all federal, state, and local laws; (vii) reputation of the supplier; (viii) quality of products and services; and (ix) any other criterion that we deem as applicable in the particular circumstance. Currently, there is no fee to request approval.

We may modify these criteria and our specifications and will advise our franchisees as soon as possible of such modifications, via updates to the Operations Manual, our internal intranet sites, or other electronic communication. We will give you notice of our approval or disproval within thirty (30) business days depending on the nature of the product or service.

We require franchisees to offer customers the ability to buy and make purchases with gift cards, using a specified system (the "Gift Card System"), which can be integrated with the POS System. The cost to purchase the gift cards and to install the software and to integrate it with the POS System are paid by you to Approved Suppliers. You are also required to accept credit and debit cards and participate in any smartphone app associated with the System and the Shops.

We require franchisees to offer customers the ability to join our system-wide loyalty program ("Loyalty Program"), where the customers can earn points to use for free drinks at any location, regardless of which Shop they made the purchases that earned the points.

Construction and Development of the Shop

You must construct and develop the Shop in accordance with our specifications and layouts including requirements for dimensions, design, furnishings, signs, fixtures, image, interior layout, décor, accents, and color scheme.

You are required to obtain our written approval before entering into a lease for the Shop premises.

Advertising and Cooperatives

You must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written approval within fourteen (14) days after we receive the materials, they are deemed to be disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved.

There are no purchasing cooperatives in existence at this time. We do not provide any material benefits to a franchisee based on your use of Approved Suppliers.

Insurance

Insurance services must be placed with a reputable insurance company licensed to do business in the state in which the Shop is located. The insurance company must have both a financial size category equal to or greater than IX and a rating of "A+" or "A" as determined by Alfred M. Best and Company, Inc. Insurance sources are approved upon submission of a policy meeting at least the minimum requirements of the Franchise Agreement. In some cases, coverage requirements may be higher if so required by local law, landlords, property owners, or other third parties.

Item 9
Franchisee's Obligations

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 Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 2, Section 4	Item 11
b. Pre-opening purchases/leases	Section 4	Item 7 and 8
c. Site development and other pre-opening requirements	Section 4	Item 7 and 11
d. Initial and ongoing training	Section 6(c), (d)	Item 11
e. Opening	Section 4(e)	Item 11
f. Fees	Section 5	Item 5 and 6
g. Compliance with standards and policies/operating manual	Section 6(a), (b), (f); Section 8; Section 9	Item 11
h. Trademarks and proprietary information	Section 9; Section 10(b), (c)	Item 13 and 14
i. Restrictions product/service purchases	Section 8(a),(c),(d)	Item 16
j. Warranty and customer service requirements	Section 8(a)(ix), (e)	Not applicable
k. Territorial development and sales quotas	Section 4(b)	Item 12
l. Ongoing product/service purchases	Section 8	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 4(d); Section 8	Item 11
n. Insurance	Section 14	Item 6, 7 and 8
o. Advertising	Section 7	Item 6, 7, 8 and 11
p. Indemnification	Section 20	Item 6
q. Owner's participation / management / staffing	Section 2(c); Section 8(a), (e)	Item 11 and 15
r. Records and reports	Section 5	Item 6
s. Inspections and audits	Section 5(i), (j), (k); Section 6(e); Section 8(b)	Item 6 and 11
t. Transfer	Section 11	Item 6 and 17
u. Renewal	Section 12	Item 6 and 17
v. Post-termination obligations	Section 16	Item 17

Obligation	Section in Franchise Agreement	Disclosure Document Item
w. Non-competition covenants	Section 10	Item 17
x. Dispute resolution	Section 19(c)	Item 17

Item 10
Financing

We do not offer direct or indirect financing. We will not guarantee your note, lease, or other 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.

<u>Our Pre-Opening Obligations</u>

1. Designate your Development Area for each of your Shops. (Development Agreement, Section 1).

2. Designate your Protected Territory. (Franchise Agreement, Section 4(e)).

3. Assist you in selecting a site. We will use reasonable efforts to assist you in analyzing your potential Protected Territory, determining site feasibility, and designating a Shop premises. However, it is your sole responsibility to undertake site selection activities and otherwise secure premises for the Shop. If you fail to either: (a) present a bona fide site proposal to us and execute a lease for such a site within three (3) months of the execution of the Franchise Agreement, or (b) open the Shop for business within 12 months of executing the lease, we may, at our sole option, terminate the Franchise Agreement. (Franchise Agreement, Section 4(b)). Typically, it takes approximately one (1) year to open a Shop from the date a Franchise Agreement is signed. We do not typically lease premises to our franchisees.

   a. We will review your site selection proposal and provide you with written notice of acceptance or rejection of the proposed site within thirty (30) days of receiving your written proposal. Factors that we will consider in our review process include, but are not limited to, the following: population density of the surrounding area; co-tenancy; vehicular and foot traffic; visibility of and accessibility to the site; demographics of the market area surrounding the site; availability of parking; size and suitability of the site for use as a Shop; physical condition of the premises; and lease terms. (Franchise Agreement, Section 4(b)).

   b. We must receive a copy of the lease for the premises prior to your execution of the lease, and we may approve or reject the lease. (Franchise Agreement, Section 4(c)).

   c. You are also required to enter into our current form of collateral assignment of lease, which is attached to the Franchise Agreement as an exhibit. (Franchise Agreement, Section 4(c)).

4. We will make available our standard plans and specifications for a typical Shop. You are responsible for ensuring that the Shop premises conforms to local ordinances and building codes, for the procurement of any required permits, for the construction, remodeling, and decorating of the premises. (Franchise Agreement, Section 6(a)).

5. We will provide detailed specifications for certain equipment, signs, and fixtures and make available to you our Approved Suppliers List. Currently, neither we nor our affiliate sell or lease to you equipment, signs, or fixtures, but our affiliate is an Approved Supplier for certain inventory items. We will provide detailed specifications for the Initial Inventory and other inventory items and supplies. (Franchise Agreement, Section 8(d)).

6. We will provide our Initial Training Program to you. We do not charge for this Initial Training Program, however, your Manager's expenses in attending this program, including travel costs, meals, and room and board costs, are your responsibility. All training will occur at an existing location in Philadelphia, Pennsylvania or at another location designated by us. (Franchise Agreement, Section 6(c)).

7. Upon completion of your training, we will loan you or provide you with access to a copy of our Operations Manual, which is currently 225 pages. The table of contents to our Operations Manual is attached as **Exhibit D**. (Franchise Agreement, Section 6(b)).

We are not obligated to provide any other supervision, assistance or services to you prior to the opening of your Shop, which, based on the experience of our affiliate in opening its Shops will typically occur within six (6) months to one (1) year after the execution of the Franchise Agreement, but may occur earlier or later depending on the actual time required for you to accomplish items including, but not limited to, the following: securing a site; obtaining financing; obtaining construction, zoning, health and other permits; completing construction; installing signs, fixtures, and equipment; hiring and training personnel.

Our Obligations to You during the Operation of Your Shop

1. Throughout the site-selection and construction process, we will consult with you on an ongoing basis to assist you in preparing your Shop for operation. Such consultations will include site visits and/or phone consultations as appropriate, kitchen and dining area layout, reviews and analysis, assistance with equipment procurement, and pre-opening training. (Franchise Agreement, Section 4(a)).

2. We will provide to you any updates to the Operations Manual and any other manuals prepared by us for use by our franchisees in the operation of their Shops. (Franchise Agreement, Section 6(b)).

3. Periodically, and at other reasonable times upon your request, we will advise and consult with you regarding the ongoing operation of your Shop. (Franchise Agreement, Section 6(d)).

4. In our discretion and as we deem necessary, we (or our designee) will periodically visit the Shop to consult and provide guidance and to inspect the operation and condition of the Shop and we will provide written reports detailing any defaults in the operation or condition of the Shop that we observe during our visits. (Franchise Agreement, Section 8(b)).

5. We will modify the System as we deem necessary, including, but not limited to, the adoption and use of new or modified menu items, recipes, techniques, supplies, equipment, products,

trade names, trademarks, service marks, copyrighted materials, and information technology tools, and we will communicate to you any modifications to the System via printed material, newsletter, site visit, teleconference, or other medium as we deem appropriate. (Franchise Agreement, Section 6(b)).

6. We will provide an approved list of donut varieties to be sold at the Shop on a weekly, monthly, and/or seasonal basis, some of which may be required or not required depending on your region. (Franchise Agreement, Section 6(f)).

Advertising

All advertising and promotion that you use in connection with your Shop must be supplied by or approved by us and conform to the standards and requirements that we specify. We will provide all advertising via our in-house advertising team and provide social media and print campaigns to promote the System and the Shops. We reserve the right to designate an Approved Supplier from which you must purchase advertising materials and/or services that we designate, which may include us or an affiliate. We will provide to you, from time to time, at your expense, certain promotional materials, including coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. You will be required to purchase and display signage (including a menu) in certain parts of your Shop that have high visibility for purposes of notifying customers and prospective customers of seasonal specials/promotions regarding our Approved Products and Services. (Franchise Agreement, Section 7(a)).

You are required to expend between $10,000 and $15,000 during the period between 60 days prior to opening the Shop and 90 days after opening the Shop in an effort to market, promote and advertise the Shop ("Grand Opening Advertising"). We will typically designate the exact amount you must expend on your Grand Opening Advertising within 30 days of the date you secure a Premises. This amount is payable to advertising vendors. (Franchise Agreement, Section 7(a)).

We are not required to spend any amount on advertising in your Protected Territory.

Brand Development Fund. We reserve the right to establish a System-wide brand development fund (the "Fund") for the benefit of the System and the FEDERAL DONUTS & CHICKEN brand generally. If and when established, you and all other franchisees are required to contribute to this Fund. If and when established, you and all other franchisees must contribute to the Fund in an amount equal to one percent (1%) of the Gross Sales of your Shop during the preceding week (the "Fund Contribution"); however, we reserve the right to increase you and all other franchisees' Fund Contribution to up to two percent (2%) of the Gross Sales of your Shop. We will administer the Fund. (Franchise Agreement, Section 7(c)).

The Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing. (Franchise Agreement, Section 7(c)).

We will account for the Fund contributions separately from our other funds 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, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. A portion of the Fund contributions will be used for advertising that principally is a solicitation for the sale of franchises, as we may use/display the phrase “Franchises Available” on any and all advertising/marketing that is covered by the Fund. We will prepare an unaudited, annual statement of Fund collections and costs and give it to you upon written request. We may incorporate the Fund or operate it through a separate entity if we deem appropriate. Our affiliate-owned Shops are not required to contribute to the Fund in the same manner that each franchised Shop is required to contribute. (Franchise Agreement, Section 7(c)).

We are not required to spend any of your Fund Contributions in the Protected Territory you are granted under your Franchise Agreement. We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, we may rollover any excess contributions into the Fund for use during the following year. (Franchise Agreement, Section 7(c)). In the past fiscal year ending December 31, 2024, we did not collect any Fund Contributions.

Advertising Council. Currently, we have not established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 7(d)).

Regional Advertising Cooperatives (“Cooperatives”). We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two (2) or more Shops (whether a franchisee-owned or affiliate-owned) (each a “Cooperative”). We will be responsible for administering the Cooperatives. If we assign your Shop to a Cooperative we establish, you must work with the other Shop owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Shops within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the Issue Date of this Disclosure Document. Participating Shops in each specific Cooperative shall draft and operate from governing documents, which will be available for franchisees to review. Cooperatives shall not be required to prepare financial statements. The amount that each franchisee will have to contribute to the Cooperative shall be decided by the Cooperative. Franchisor or Affiliate-owned Shops may, but are not obligated to, contribute to the Cooperative in the same amount as the participating franchisees. (Franchise Agreement, Section 7(e)).

Online Directories. As another means of advertising, you must ensure that the Shop is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Shop has a dedicated telephone line that is not used for any other purpose. (Franchise Agreement, Section 7(f)).

<u>Computer Systems</u>

You must purchase from an Approved Supplier and use the POS System designated by us in your Shop. You must also purchase other hardware and software as part of your overall Computer System. Your cost for the purchase and installation of the Computer System is between $3,000 and $5,000 for the initial purchase and setup, which includes a $475 setup fee and a $279 per month fee. These fees are subject to change to the Approved Supplier’s standard rates You will be required to upgrade the Computer System on an as-needed basis, which will not cost any additional amount per year (subject to any Approved Supplier's then-current pricing), and you must comply with any required periodic software upgrades specified by the Approved Supplier, for which there are no contractual limitations regarding cost or frequency. We will have access to your sales, financial, customer and inventory information, including product mix, gross sales, prime cost, labor costs and food costs, through the POS System and there are no contractual limitations on our right to access the information. The Computer System currently includes: (a) a back of house computer (which may not be used for any other purpose); (b) security system; and (c) music system and associated music streaming account. The exact components of the Computer System are subject to change.

You are required to maintain your credit card processing hardware and software in compliance with the Payment Card Industry (PCI) Data Security Standard. You are required to accept credit and debit cards and to participate in the Gift Card System and Loyalty Program. Your fees to any such third-party provider would be under the same terms as the fees paid by our affiliates to such third-party providers. You are required to maintain internet access and an electronic mail address.

Initial Training Program

The Initial Training Program for our franchisees is conducted at one of our affiliate's Shops located in Philadelphia, Pennsylvania and also at the location of your Shop. The Initial Training Program will be directed by our culinary director, marketing director and certain other individuals from our management team. Their respective experience with us and in the industry is included in the chart below. All substitute trainers will have at least one year of experience in the applicable training topic.

Name	Experience with Us	Experience in Industry
Jarett O'Hara, Culinary Director	Since our inception in January 2023, but 5 years with our affiliates	19 years
Lauren Correia, Marketing Director	Since our inception in January 2023, but 11 years with our affiliates	19 years
Braden Alsnauer, Director of Operations	1 year with us	10 years
Marisol Tovar, Culinary Director	Since our inception in January 2023, but 9 years with our affiliates	19 years

The Initial Training Program is provided on an as-needed basis, but approximately four (4) to six (6) times per year. Initial training may be scheduled at our discretion, based on the status of construction of your Shop. The Initial Training Program must be completed to our satisfaction at least one month prior to the opening of your Shop. The details of our Initial Training Program are listed in the chart below.

The Initial Training Program must be completed prior to you or your Manager working at your Shop. Shop operations will not be permitted to commence unless all aspects of the Initial Training Program have been successfully completed to our satisfaction. If additional training is required, you will be advised of the adjustments needed to successfully complete the Initial Training Program and be approved for opening.

The Initial Training Program consists of one week at one of our affiliate's Shops and then another week at the location of your Shop.

TRAINING PROGRAM

Training Topics	Classroom (Hours)	On the Job (Hours)	Location
Guest Experience	0	5	Philadelphia, PA and/or your Shop
Managing Guest Conflicts	0	15	Philadelphia, PA and/or your Shop
Opening and Closing Procedures	0	15	Philadelphia, PA and/or your Shop
Preparation of Chicken	0	15	Philadelphia, PA and/or your Shop
Preparation of Donuts	0	15	Philadelphia, PA and/or your Shop
Donut Robot	0	15	Philadelphia, PA and/or your Shop
SUBTOTALS	**0**	**80**	Philadelphia, PA and/or your Shop
TOTAL	**80**		

You are responsible for all travel, lodging and other expenses incurred in connection with the attendance of training by yourself and by your employees.

We may require that you attend additional or refresher training courses from time-to-time at a location of our designation or via teleconference. We will not charge any fee for these training programs unless we require them due to your default of the Franchise Agreement. However, you will be responsible for travel, lodging, payroll, and other expenses incurred in connection with the attendance of these additional or refresher courses by yourself or by your employees. Such additional or refresher training courses will not exceed 40 hours of training time per calendar year.

Item 12
Territory

Protected Territory

You will be granted the right to own and operate a Shop at a specific site approved by us. Once your site is accepted, you will receive a territory within which we will not establish a company-owned, affiliate-owned, or franchised Shop without providing you a right of first refusal to open an additional Shop (the "Protected Territory"). Your Protected Territory will consist of an area that encompasses the location of your Shop, which will be smaller in an urban area or other area with a high population density and larger in a suburban or rural area. Further, the size of your Protected Territory will vary based on the character of the neighborhood, natural boundaries, and local competition. We will designate your site selection area in your Franchise Agreement before you sign it. Once your site is selected, we will designate your Protected Territory.

After your first year of operation, you will be required to meet or exceed an annual Gross Sales amount of $1 Million per Shop to maintain your Shop and your Protected Territory. There is no minimum requirement for the first year of operation. If you do not meet these standards, then we may adjust your Protected Territory, require you to attend additional training, require you to expend additional amounts on advertising and marketing, and, if necessary, we may terminate your Franchise Agreement.

If the address of the Shop is not known at the time of execution of the Franchise Agreement, then we will designate an area within which you must select a site for the Shop ("Shop Selection Area"). You must lease or purchase a suitable site for the Shop within the Shop Selection Area within six (6) months of signing the Franchise Agreement. The Franchise Agreement does not, in any way, either directly or by implication, grant any other area, market or territorial rights to you, including any rights to the geographical area defined as the Shop Selection Area, except those granted to you in your Protected Territory, once selected.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We and our affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or the Development Agreement, as applicable: (i) establish and operate, and license any third party the right to establish and operate, other Shops using the Marks and System at any location outside of your Protected Territory/Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Shop under a different trademark or trademarks at any location, within or outside the Protected Territory/Development Area; (iii) use the Marks and System, other such marks we designate, to distribute our Approved Products and/or Services in any alternative channel of distribution, within or outside the Protected Territory/Development Area (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside your Protected Territory/Development Area; (v) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement/Development Agreement; and (vi) own and operate Shops in "Non-Traditional Sites" including, but not limited to, food trucks (operating in the Protected Territory) food or grocery stores, enclosed shopping malls, amusement parks, military bases, college campuses, hospitals, airports, sports arenas and stadia, train stations, travel plazas, toll roads and casinos, both within or outside your Protected Territory/Development Area.

The Franchise Agreement does not grant you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliate(s) or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Protected Territory. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Shops at Non-Traditional Sites, either directly or through our affiliate(s), licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Shops at Non-Traditional Sites.

There are no territorial restrictions from accepting business from customers that reside/work or are otherwise based outside of your Protected Territory if these customers contact you and/or visit your Shop. You may solicit prospective customers outside of your Protected Territory but you may not use alternative channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make any sales inside or outside of your Protected Territory.

Relocation

We may approve the re-location of your Shop based on your Shop's existing financial performance and the availability of a site where the re-location will occur, however, we do not have to accommodate any re-location. Prior to closing the existing Shop, the new Shop must be open and operating, except in cases of fire or other disaster that require the existing Shop to immediately close.

Development Area

Developers that open multiple Shops under our form of Development Agreement, will be provided with a Development Area. The size of your Development Area will substantially vary from other System developers based on the number of Shops you have committed to opening, location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area will be described in terms of zip codes and/or other geographic boundaries and delineated on a map attached to the Development Agreement.

Each Shop you timely open and commence operating under our then-current form of Franchise Agreement will be operated: (i) from a distinct location located within the Development Area; and (ii) within its own Protected Territory that we will define once the location for that Shop has been approved.

We will not own or operate, or license a third party the right to own or operate, a Shop utilizing the Marks and System within the Development Area without providing you with a right of first refusal to open an additional Shop until the earlier of: (i) the date we define the Protected Territory of the final Shop you were granted the right to operate under the Development Agreement; or (ii) the expiration or termination of the Development Agreement for any reason.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Shop that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Protected Territories that were granted under the Franchise Agreement(s) you entered into for those Shops.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor our affiliate(s) have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

Item 13
Trademarks

We sub-license you the right to use the marks FEDERAL DONUTS and FEDERAL DONUTS & CHICKEN, associated logos and other commercially valuable trademarks and trade names now or hereafter used in the operation of the System and Shops (collectively, the “Marks”) in connection with the operation of your Shop.

The following Marks have been registered with the United States Patent and Trademark Office on the principal register, and the owner of the Marks has filed all required affidavits of use and applications for renewal and such affidavits have been accepted (if and as necessary).

Mark	**Reg. No.**	**Reg. Date**	**Register**
FEDERAL DONUTS	4183195	July 31, 2012	Principal
	97708841	July 30, 2024	Principal
	98459672	January 7, 2025	Principal
	97708838	July 30, 2024	Principal

The following Marks have been applied for but are still pending registration with the United States Patent and Trademark Office on the principal register.

Mark	**Serial No.**	**Application Date**	**Register**
	98459635	March 20, 2024	Principal
	98459605	March 20, 2024	Principal

The Marks are owned by our parent, TSRFD, LLC. Our parent has filed all necessary renewals and affidavits. Pursuant to our license agreement dated January 1, 2023, our parent licensed us the use of the Marks in connection with our business of granting franchises to operate Shops in the United States ("License Agreement"). The License Agreement has a term of 15 years from the effective date, with automatic renewals, and may be terminated only in an event of default, or if regulations or regulatory agencies make it impractical for us to continue our obligations under the license agreement, or by the agreement of both parties. In any event of termination, we will be entitled to complete all of our obligations under any franchise agreement that has been entered into as of the termination date. The License Agreement does not limit our right to use or license the use of the Marks in any manner that is material to the franchise.

We do not have a federal registration for some of our principal trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There currently are no determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court which affect the ownership, use, or licensing of the trademark. There currently is no pending infringement, opposition, or cancellation proceeding which could affect the ownership, use, or licensing of the Marks, nor is there any pending litigation involving the Marks. We are not aware of any superior prior rights or infringing uses of the Marks that could affect your use of the Marks.

Other than the License Agreement, there currently are no effective agreements that limit our rights to use or license the use of the Marks in a manner that is material to the franchise.

We have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your use of the Marks.

You shall promptly notify us in writing of any use of, or claim of rights to, a trademark identical to, or confusingly similar to, any of the Marks. We shall then decide, in our sole discretion, what action, if any, should be taken. In the event that we engage in any litigation in the defense or prosecution of the Marks, we shall bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement's restrictions on the use of the Marks.

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any Mark and/or use one or more additional or substitute names or marks, you must comply with our direction no later than ten days after you have received notice. We will not be liable to you for any expenses, losses, or damages you sustain as the result of any such addition, modification, substitution, or discontinuance of a Mark.

Item 14
Patents, Copyright and Proprietary Information

Neither we nor our parents or affiliates own the rights in, or licenses to, any patents.

We claim copyrights in our Operations Manual, other instructional materials, various menus, and various advertising and marketing materials. The copyrights in the foregoing materials have not been registered with the United States Copyright Office, nor are any applications pending for copyright registration. Currently, there are no agreements in effect that limit the use of the copyrighted materials, and we are not aware of any determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding any of the copyrighted materials, nor are we aware of any infringement that could materially affect our rights to license, or your rights to use, the copyrighted materials.

We have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your use of the copyrighted materials.

You, you shall promptly notify us in writing if you become aware of any infringement of our copyrights, or if any infringement claims are made against you in connection with your use of the copyrighted materials. We shall then decide, in our sole discretion, what action, if any, shall be taken. In the event that we engage in any litigation in the defense or prosecution of the copyrighted materials, we shall bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement's restrictions on the use of the copyrighted materials.

The copyrighted materials contain trade secrets and other proprietary information, including but not limited to, the following: recipes, processes, procedures, standards, specifications for products and supplies, knowledge of suppliers, sales and marketing techniques, color schemes, Shop layouts, equipment specifications and layouts, and any other information that we may designate as confidential and proprietary. If you make any suggestions for improving any element of the System, or if you develop any recipe, process, advertising or other printed material, any copyrights to any such suggestion, recipe, process, or material shall become our exclusive property, whether or not adopted for use in the System.

We will loan you and/or provide you with access to copies of the Operations Manual solely for your use in the operation of your Shop. You must keep them absolutely confidential at all times, and you must take reasonable steps to prevent improper disclosure to others. You may not reproduce any portion of the Operations Manual for any reason, except for any such portion which is designated in writing by us as suitable for reproduction. Upon the termination or expiration of your Franchise Agreement, you must immediately return to us the Operations Manual and all other materials containing trade secrets or other proprietary information.

We will require that you and all of your employees who have access to our trade secrets or other proprietary information sign non-disclosure agreements in a form acceptable to us, and an example of which is attached as an exhibit to the Franchise Agreement.

Item 15
Obligation to Participate in the Actual Operation of the Business

While we recommend that you personally participate and manage the day-to-day operations of your Shop, you are not required to do so and you may hire a Manager to manage daily operations with our approval. Your Manager will be required to complete the Initial Training Program prior to undertaking any management responsibilities. We will not unreasonably withhold our approval of any Manager that you propose, provided the Manager has completed the Initial Training Program to our satisfaction and has demonstrated that he/she has mastered the implementation of our System standards and specifications for daily operations of a Shop. If the franchisee is a business entity, we do not require the Manager to own an interest in the entity.

In the event that you operate more than one Shop, you must have a properly trained Manager at each Shop that you own and operate. You must keep us informed at all times of the identity of any personnel acting as Manager, and obtain our approval before substituting a new Manager at any of your locations.

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, form of personal guaranty attached to the Franchise Agreement as an exhibit (the "Guaranty"). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the "Owners"), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

Each person who completes our training courses must sign a covenant not-to-compete agreement in addition to a non-disclosure agreement in a form satisfactory to us. Your Manager will be required to sign a covenant not-to-compete agreement in a form satisfactory to us. The current form of covenant not-to-compete and non-disclosure agreement is attached to the Franchise Agreement as an exhibit.

Item 16
Restrictions on What Franchisee May Sell

You may sell only products authorized by us and you must offer all of the food and drink menu items designated by us to be offered as part of the System, which we may modify from time to time (i.e. the Approved Products). There are no limitations on our rights to modify the System. Only properly trained personnel may prepare the menu items, and they must do so strictly in accordance with the recipes and methods of handling and production described in the Operations Manual. You are prohibited from using the premises for any purpose other than the operation of a Shop.

We do not impose any limitations on the customers to whom you may sell approved goods and services at your Shop, other than the territorial limitations as explained in Item 12.

You are required to participate in all of our System-wide promotional programs, including, but not limited to, our loyalty program.

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.

A. Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3	Ten years.
b. Renewal or extension of the term	Section 3 and Section 12	Two additional terms of five years each.
c. Requirements for franchisee to renew or extend	Section 12(a)	In order to renew your agreement with us you must: (i) notify us of your intent to renew prior to the expiration of original term, be in good standing; (ii) be in compliance with all terms of the franchise agreement; (iii) sign the then-current franchise agreement that may have materially different terms and conditions than your original contract/franchise agreement; (iv) pay a renewal fee; (v) sign a general release in a form proscribed by us; (vi) complete any re-modeling required by us, including, but not limited to, updating and re-modeling equipment; (vii) complete any required additional training course; and (viii) maintain the right to the Shop Site for the renewal term.
d. Termination by franchisee	Not Applicable	Not Applicable.
e. Termination by franchisor without cause	Not Applicable	We may not terminate the franchise agreement without cause.
f. Termination by franchisor with cause	Section 15	We may terminate the franchise agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. "Cause" defined – curable defaults	Section 15(c)	We may terminate the franchise agreement for: (i) understatement of Gross Sales or other data; (ii) failure to operate the Shop in compliance with our standards after a cure period of five days; (iii) failure to remit payment after a cure period of five days; (iv) failure to submit financial information, after a cure period of 10 days; (v) failure to operate the Shop in compliance with Manual after a cure period of 30 days; (vi) failure to obtain our prior approval when required after a cure period of five days; (vii) failure to

Provision	Section in Franchise Agreement	Summary
		maintain required insurance, after a cure period of seven days; (viii) any other breach of an obligation under franchise agreement, after a cure period of 15 days; and (ix) interference with our ability to access your information.
h. "Cause" defined – non-curable defaults	Section 15(b)	We may terminate the franchise agreement without providing you with a period to cure for your: (i) untrue franchise application; (ii) unauthorized transfer; (iii) failure to open as and when required; (iv) failure to propose a location for the Shop within the required time period; (v) misuse of Intellectual Property or System; (vi) abandonment; (vii) violation of non-competition covenants; (viii) felony conviction; (ix) failure to obtain required licenses; (x) operation of Shop in a hazardous way; (xi) repeated defaults; (xii) bankruptcy or insolvency; (xiii) judgment or lien in excess of $5,000 that remains for 30 days; (xiv) termination of possession of Shop Site; (xv) sale of unapproved items; (xvi) denying us the right to inspect; (xvii) repeated delays in payments; or (xviii) material misrepresentations.
i. Franchisee's obligations on termination/non-renewal	Section 16(d)	Upon termination or expiration, you must: (i) pay all monies you owe to us, affiliates and third parties; (ii) return Operations Manual; (iii) stop using our Marks and other intellectual property; (iv) not disclose any portion of the System; (v) notify all listing agencies to transfer phone numbers and other listings.
j. Assignment of contract by franchisor	Not Applicable	There are no restrictions on our right to assign.
k. "Transfer" by franchisee – defined	Section 11	Sale, assignment, or transfer of ownership interest in the franchisee entity or the franchise agreement.
l. Franchisor approval of transfer by franchisee	Section 11(c)	We have the right to approve all transfers in our sole discretion and will not unreasonably withhold our consent if you comply with the transfer requirements in the Franchise Agreement.
m. Conditions for franchisor approval of transfer	Section 11(c)	In order to transfer the franchise agreement you must: (i) not in default under the franchise agreement; (ii) pay all monies owed to us; (iii) transferee completes training; (iv) transferee meets our requirements of new franchisees; (v) you deliver Operations Manual to us; (vi) transferee executed then-current form of Franchise Agreement; (vii) you sign a release; and (viii) you or the transferee pays a transfer fee.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11(d)	Purchase on same terms of offer, provided that we may substitute cash for any form of payment proposed in such offer. Thirty days to accept or reject offer.
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable.
p. Death or disability of franchisee	Section 11(a)	Shop must be assigned by estate to approved buyer within 6 months.
q. Non-competition covenants during the term of the franchise	Section 10(a)(i) and (iii)	No participation in any competing business or contacting customers to dissuade from business with us.
r. Non-competition covenants after the franchise is terminated or expires	Section 10(a)(ii) and (iii)	No participation in any competing business for two years after franchise is terminated or expires in any of our market areas or within ten-mile radius of the Shop or any other Shop in the System.
s. Modification of the agreement	Section 22	Any modification must be in writing and signed by all parties.
t. Integration / merger clause	Section 22.	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in the franchise agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 20(b), 20(c)	You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally. If internal dispute resolution is unsuccessful, then disputes will be submitted to Mediation. If mediation is unsuccessful, then disputes will be submitted to Arbitration with the American Arbitration Association in Pennsylvania.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section 20(d)	All claims and causes of action arising out of the franchise agreement must be brought in the state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the United States District Court for the Eastern District of Pennsylvania (subject to state law).
w. Choice of law	Section 20(a)	The Franchise Agreement is governed by the laws of Pennsylvania, without reference to this state's conflict of laws principles (subject to state law).

B. Development Agreement

Provision	Section in Development Agreement	Summary
a. Term	6.1 and Exhibit A	The Development Schedule will dictate the amount of time you have to open a specific number of Shops, which will differ for each Developer and will be specified in Exhibit A of the Development Agreement.
b. Renewal or extension of the term	Not Applicable	Not Applicable.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable.
d. Termination by you	Not Applicable	Not Applicable.
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	6.2	We may terminate the Development Agreement with cause as described in (h) of this Item 17 Chart.
g. "Cause" defined – curable defaults	Not Applicable	Not Applicable.

Provision	Section in Development Agreement	Summary
h. “Cause” defined – non-curable defaults	6.2	We may terminate your Development Agreement automatically upon written notice if: (i) abandonment; (ii) bankruptcy or insolvency; (iii) you fail to meet your development obligations under the Development Schedule for any one Development Period, and fail to cure such default within 30 days of receiving notice thereof; and (iv) if any of your Franchise Agreements are terminated.
i. Your obligations on termination/ non-renewal	Not Applicable	Not Applicable.
j. Assignment of contract by us	8	We have the right to assign the Development Agreement in whole or in part in our sole discretion.
k. “Transfer” by you definition	8	Sale, assignment, or transfer of ownership interest in the franchisee entity or the franchise agreement.
l. Our approval of transfer by you	8	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions. However, if you are an individual or a partnership, you have the right to assign your rights under the Development Agreement to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in your initial Franchise Agreement.
m. Conditions for our approval of transfer	8	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable

Provision	Section in Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	26	Your Development Agreement must not be modified without the consent of both you and us.
t. Integration/ merger clause	26	Only the terms of the Development Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Development Agreement or any related agreement, however, is intended to disclaim the representations made by us in the disclosure document that was furnished to you by us.
u. Dispute resolution by arbitration or mediation	12, 13, and 14	You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Development Agreement must be submitted to mediation. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If mediation is unsuccessful, then disputes will be submitted to Arbitration with the American Arbitration Association in Pennsylvania.
v. Choice of forum	15	All claims and causes of action arising out of the franchise agreement must be brought in the state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the United States District Court for the Eastern District of Pennsylvania (subject to state law).
w. Choice of law	11	The Franchise Agreement is governed by the laws of Pennsylvania, without reference to this state's conflict of laws principles (subject to state law).

Item 18
Public Figures

Celebrity Chef Michael Solomonov is our Manager and both he and we will use his name, image, likeness and reputation to promote the sales of franchises to prospects and to endorse the franchise system as a whole. Michael does not own a direct interest in the Franchisor but he does own a direct interest in our parent. Michael will be generally involved with the marketing and promotion of the Federal

Donuts & Chicken brand and franchise system. Mr. Solomonov has not been given or promised compensation or other benefits, apart from his compensation as Manager, in exchange for using his likeness.

Other than Michael Solomonov, we do not use any public figure to promote our franchises.

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 by, for example, providing information about possible performance at a particular location or under particular circumstances.

Background

At the end of calendar year 2024, there were a total of seven (7) Franchised Business and five (5) Affiliate Businesses. This Item 19 presents the historical financial performance information of four (4) Shops that are franchised locations (the "Franchised Businesses") and (2) Shops that are owned and operated by our affiliates, all of which are located in Philadelphia, Pennsylvania (the "Affiliate Businesses").

Of the seven (7) Franchised Businesses, (a) one (1) is excluded because it operates within a casino and does not provide all of the Approved Products and (b) two (2) are excluded because they opened in Q4 of 2024 and do not have sufficient data to report.

Of the five (5) Affiliate Businesses, (a) two (2) are excluded because they operate within professional sports stadiums and do not provide all of the Approved Products, and (b) one(1) is excluded because it operates within a grocery store and does not provide all of the Approved Products, and only sells donuts from 8 a.m. to 4 p.m. None of the above excluded locations operate in the same manner as a franchised Shop will operate.

<u>2024 Annual Gross Sales – Affiliate Businesses</u>

The table below presents the Gross Sales of each Affiliate Business during the 2024 calendar year.

Affiliate Business	Gross Sales
1	$768,698.27*
2	$476,385.52**

***** operates in a significantly smaller footprint location and for significantly less hours per day (i.e. they both close at 3 p.m. instead of 8 p.m.)
** operates in a significantly smaller footprint location and for significantly less hours per day (i.e. they both close at 3 p.m. instead of 8 p.m.) and opened less than a full calendar year.

2024 Annual Gross Sales – Franchisee Businesses

The table below presents the Gross Sales of each Franchised Business during the 2024 calendar year.

Franchised Business	Gross Sales
1	$970,189.95
2	$1,131,425.60
3	$928,934.34
4	$997,975.22

Notes:

1. Affiliate Location #1 differs materially from future franchised outlets as it operates for two fewer hours than the rest of the Affiliate Businesses and less hours than a typical franchised business would operate, and operates in a smaller footprint location, but otherwise operates similar to a franchised Shop. Specifically, it opens at 10 a.m. instead of 7 a.m. Affiliate Location #2 also differs materially as it was not open for an entire 12-month period prior to the close of the fiscal year on December 31, 2024, and operates for significantly less hours per day (i.e. from 7 a.m. to 3 p.m.). There are no other material financial or operational characteristics of the affiliate-owned outlets that are reasonably anticipated to differ materially from future operational franchise outlets.

3. "Gross Sales" includes all revenues and income from the sale of food products, beverages, and other merchandise, products, and services to customers, whether or not sold or performed at or from the Affiliate Business, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. Gross Sales excludes sales or use tax. All barter and/or exchange transactions in which goods are furnished and/or services are supplied in exchange for goods or services provided by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services provided by the Shop.

This information was provided to us by the Franchised Businesses and the Affiliate Businesses. We have not audited or independently verified the data submitted by the Franchised Businesses and the Affiliate Businesses. We will provide you with written substantiation for the financial performance representation upon reasonable request.

Your sales and expenses will vary depending upon the location of your Shop.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Shop.

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

Except as provided above, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Shop, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Jeff Benjamin, CEO, TSR Franchise Group LLC, 22 Wolf Street, Philadelphia, PA 19148 or via telephone at 267-634-9988.

Item 20
Outlets and Franchisee Information

Table No. 1
System-wide Outlet Summary
For Years 2022to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	7	+7
Company Owned*	2022	10	11	+1
	2023	11	11	0
	2024	11	5	-6
Total Outlets	2022	10	11	+1
	2023	11	11	0
	2024	11	12	+1

*Our affiliates own and operate these locations.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
TOTAL	2022	0
	2023	0
	2024	0

Table No. 3
Status of Franchised Outlets
For Years 2022 to 2024

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
Nevada	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

	2024	0	1	0	0	0	0	1
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	6	0	0	0	0	6
TOTAL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	7	0	0	0	0	7

Table No. 4
Status of Company-Owned Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Pennsylvania	2022	10	1[+]	0	0	0	11
	2023	11	0	0	0	0	11
	2024	11	1	0	3	4	5
TOTAL	2022	10	1[+]	0	0	0	11
	2023	11	0	0	0	0	11
	2024	11	1	0	3	4	5

[+] This outlet closed in 2021 and relocated to a new address and re-opened in 2022.

Table No. 5
Projected Openings As Of December 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Nevada	0	0	0
New Jersey	1	6	0
Pennsylvania	1	2	1
Totals	2	8	1

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

Attached to this Disclosure Document as **Exhibit G** is a list of all franchisees as of the issuance date of this Disclosure Document. Also attached to this Disclosure Document as **Exhibit G** is a list of all franchisees who had their location terminated, cancelled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the last fiscal year or who have not communicated with Franchisor within 10 weeks of the date of the Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During the last three (3) years, no franchisees have signed confidentiality clauses.

For purposes of this Item, “Company-Owned Outlets” includes affiliated outlets, which are outlets owned in whole or in part by our affiliate and which use the Marks and System.

Item 21
Financial Statements

Attached as **Exhibit E** is our (a) unaudited opening day balance sheet as of February 1, 2023 and (b) our audited financial statements for the fiscal year ending December 31, 2023, and December 31, 2024. We have not been franchising for three years so we cannot provide additional financial statements. Our fiscal year end is December 31 of each year.

Item 22
Contracts

Copies of the agreements used by us regarding the offering of a franchise are attached to this Disclosure Document as follows:

Exhibit B:	Franchise Agreement
Exhibit C:	Development Agreement
Exhibit F:	State Specific Addenda
Exhibit H:	Franchisee Compliance Questionnaire

Item 23
Receipts

Exhibit I contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document by a prospective franchisee. You should sign and date both copies of the receipt. You should retain one signed and dated copy for your records and return the other signed copy to us at 22 Wolf Street, Philadelphia, PA 19148 or franchising@federaldonuts.com.

<u>Exhibit A</u>

List of State Administrators and Agents for Service of Process

List of State Administrators

California Department of Financial Protection and Innovation
TOLL FREE 1-(866) 275-2677

<u>LA Office</u>
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

<u>Sacramento Office</u>
1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

<u>San Diego Office</u>
1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

<u>San Francisco Office</u>
One Sansome St., Suite 600
San Francisco, CA 94104
(415) 972-8565

Florida Department of Agricultural
and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681

Kentucky Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankford, KY 40602
(502) 573-2200

Maryland Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296-6328

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8285

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Oregon Department of Consumer
and Business Services
Division of Finance and Corporate
Securities labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Director, Department of Business Regulations
Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

South Dakota Department of Labor and
Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501-2017
(605) 773-5953

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, TX 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

Wisconsin Commissioner of Securities
345 W Washington Ave., 4th Floor
Madison, WI 53703
(608) 266-8550

Agents for Service of Process

Mr. Jeff Benjamin
TSR Franchise Group, LLC
22 Wolf Street
Philadelphia, PA 19148

Commissioner of the Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Commissioner of the Department of Business Oversight
One Sansome St., #600
San Francisco, California 94104

Commissioner of the Department of Business Oversight
1515 K Street., Suite 200
Sacramento, CA 95814

Commissioner of Securities of the State of Hawaii
Dept. of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054, 6546 Mercantile Way
Lansing, MI 48909

Minnesota Department of Commerce
Attention: Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

New York Department of State
Attention: UCC
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231
(518) 473 2492

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

Director, Dept. of Business Regulation
Division of Securities
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233 Richmond Street
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Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501-3185

Clerk of the State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, VA 23219

Director, Department of Financial Institutions;
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

<u>Exhibit B</u>

Franchise Agreement

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is executed as of the date stated in Exhibit A (the "Effective Date") for the operation of a FEDERAL DONUTS & CHICKEN shop (the "Shop") by and between TSR FRANCHISE GROUP, LLC, a Pennsylvania limited liability company ("Franchisor") and the persons or entity listed on Exhibit A ("Franchisee") for the purpose of granting the Franchisee the rights necessary to operate the Shop.

In consideration of the mutual rights and obligations contained herein, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. Preambles and Statements of Underlying Facts.

(a) The System. As a result of the expenditure of time, effort, and money, Franchisor and its affiliates have developed a comprehensive system for the operation of a donut, fried chicken, and coffee Shop offering a rotating menu of donut flavors, including classic flavors and unexpected flavors, along with twice-fried, super crispy chicken sandwiches and chicken dishes with accompanying dipping sauces and dry seasonings (the "System").

(b) The Intellectual Property. The distinguishing characteristics of the System include, but are not limited to, the names "FEDERAL DONUTS" and "FEDERAL DONUTS & CHICKEN" together with such other trade names, service marks, trademarks, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, recipes, know-how, methods, specifications, designations, designs, diagrams, anecdotes, artworks, worksheets, techniques, rules, ideas, course materials, advertising and promotional materials, and other audio, video and written materials developed and designated for use in connection with the System, or as Franchisor may hereafter acquire, develop or designate for use in connection with the System including the URL website "https://www.federaldonuts.com/" (the "Intellectual Property").

(c) Franchisee's Application. Franchisee submitted an application to Franchisor, representing and warranting that all information, including financial information, provided to Franchisor is true, complete, correct, and not misleading in any material respects. Franchisor approved the application in reliance upon Franchisee's representations and warranties ("Franchise Application").

(d) Interpretation of this Agreement. The foundation of the System and the essence of this Agreement is the adherence by Franchisee to standards and policies of Franchisor providing for the uniform operation of all Shops within the System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment; strict adherence to designated food and beverage specifications and to Franchisor-prescribed standards of quality, service, and cleanliness in the Shop operation (the "Standards"). Compliance by Franchisee with the Standards and policies in conjunction with the Intellectual Property provides the basis for the valuable goodwill and public acceptance of the System. Franchisor may, from time to time, vary Standards as deemed necessary or desirable for the System. The provisions of this Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 1 so that the Shop is operated in conformity with the System through strict adherence to the Standards as they exist now and as they may be modified from time to time.

2. Grant of Franchise.

(a) Franchise Grant. Franchisor grants and Franchisee accepts the right and obligation for the Term and any Renewal Term (as hereafter defined):

(i) to develop and open the Shop within the Protected Territory/ Shop Selection Area (as hereafter defined);

(ii) to adopt and use the System in the operation of the Shop;

(iii) to advertise to the public that Franchisee is a franchisee of Franchisor; and

(iv) to adopt and use the Intellectual Property, but only in connection with the sale of food and beverage products that have been designated by Franchisor at the Shop.

(b) Reservation of Rights. Franchisor and its affiliate(s) reserves and retains all rights that this Agreement does not expressly grant to Franchisee, including, but not limited to the right to: (i) establish and operate, and license any third party the right to establish and operate, other Shops using the Intellectual Property and System at any location outside of the Protected Territory; (ii) market, offer and sell products and services that are similar to the products and services offered by the Shop under a different trademark or trademarks at any location, within or outside the Protected Territory; (iii) use the Intellectual Property and System, other such marks Franchisor designates, to distribute the food and beverage items offered at a Shop in any alternative channel of distribution, within or outside the Protected Territory (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the food and beverage items offered at a Shop (but under different marks), within or outside the Protected Territory; (v) use the Intellectual Property and System, and license others to use the Intellectual Property and System, to engage in any other activities not expressly prohibited in this Agreement; and (vi) own and operate Shops in "Non-Traditional Sites" including, but not limited to, enclosed shopping malls, amusement parks, military bases, college campuses, hospitals, airports, sports arenas and stadia, train stations, travel plazas, toll roads and casinos, both within or outside the Protected Territory.

(c) Best Efforts. Franchisee shall diligently and fully exploit the rights granted in this Agreement by personally devoting full time and best efforts to the operation of the Shop.

(d) Owner's Guaranty. Simultaneously with the execution of this Agreement, each individual owner of the Franchisee as designated on Exhibit A (each an "Owner") shall execute and deliver to Franchisor an Owner's Guaranty, in the form designated on Exhibit C attached hereto, which Owner's Guaranty shall be a condition precedent to the grant of the right to operate Shop hereunder.

(e) Franchisee is granted the right to own and operate the Shop at a site within a territory within which Franchisor will not establish a company-owned, affiliate-owned, or franchised Shop (the "Protected Territory"). The Protected Territory will consist of one or more zip codes, but will vary in physical size based on population density and will vary based on the character of the neighborhood, natural boundaries, and local competition. The Protected Territory shall be designated on Exhibit A.

3. Franchise Term. The initial term of this Agreement shall commence on the Effective Date and continue for a period of ten (10) years (the "Term"), unless sooner terminated pursuant to the provisions hereof. Franchisee may, at its option, renew this Agreement and the right to use the System and Intellectual Property in connection with the operation of the Shop at the Shop Site for two (2) additional terms of five (5) years each (each, a "Renewal Term"), provided that Franchisee pays the renewal fee and Franchisee complies with the requirements of Section 12 of this Agreement.

4. Development, Approval of Site, and Commencement of Operations.

(a) Shop Site. This Franchise is exclusive for the purpose of operating the Shop at an address which, if known at the time of execution of this Agreement, shall be set forth on Exhibit A (the "Shop Site") or if not known at the execution of this Agreement, shall be located within the "Shop Selection Area" defined on Exhibit B. Throughout the site-selection and construction process, Franchisor will consult with Franchisee on an ongoing basis to assist Franchisee in preparing the Shop for operation. Such consultations will include site visits and/or phone consultations as appropriate, kitchen and dining area layout, reviews and analysis, assistance with equipment procurement, and pre-opening training.

This Agreement does not, in any way, either directly or by implication, grant any other area, market or territorial rights to Franchisee, including any rights to the geographical area defined as the Shop Selection Area or Protected Territory, except as described in Section 3.

(b) Site Acceptance. If the address of the Shop is not known at the time of execution of this Agreement, Franchisee shall be responsible for purchasing or leasing a suitable site for the Shop within the Shop Selection Area within six (6) months of the Effective Date. Prior to the acquisition by lease or purchase of any site for the Shop, Franchisee shall submit a description of the proposed site to Franchisor that meets the site criteria set forth in the Operations Manual (as hereafter defined). Franchisor shall provide Franchisee written notice of acceptance or rejection of the proposed site within thirty (30) days after receiving Franchisee's written proposal. Notwithstanding anything herein to the contrary, Franchisor and its affiliates shall have the right, but not the obligation, to lease or purchase the site of the Shop and sublease the Shop to Franchisee upon commercially reasonable lease terms, including, but not limited to the terms set forth below.

If the Shop Site is not designated, Franchisor shall use reasonable efforts to help analyze Franchisee's Shop Selection Area, to determine site feasibility, and to assist in the designation of the location which must be approved by Franchisor; provided, however, that Franchisor will not conduct site selection activities on Franchisee's behalf.

While Franchisor shall utilize its experience in a designation of location, nothing contained herein shall be interpreted as a guarantee of success for said location nor shall any site acceptance, recommendation or approval made by Franchisor be deemed a representation that any particular site is available for the Shop. It shall be the sole responsibility of Franchisee to undertake site selection activities and otherwise secure premises for Franchisee's Shop.

If Franchisee fails to either (a) present a bona fide site proposal to Franchisor and execute a lease for such a site within three (3) months of the execution of this Agreement, or (b) open the Shop for business within 12 months of executing the lease, then Franchisor has the option to terminate this Agreement.

(c) Lease Terms. Franchisee is required to obtain Franchisor's written approval before entering into a lease or purchase agreement of the Shop Site. Franchisor's approval of any lease shall be conditioned upon inclusion in the lease of terms acceptable to Franchisor. At Franchisor's option, the lease shall contain provisions relating to subleasing, rental terms, signage, default notice, and Franchisor's rights upon default and lease assumption. Franchisor's approval of any lease does not in any way guarantee, represent, or warrant success at that location or that the location will generate any specific level of sales. Franchisee is also required to enter into Franchisor's then-current form of collateral assignment of lease, which is attached to this Agreement as Exhibit G.

(d) Shop Improvements/Remodeling. Franchisor will provide Franchisee with its standard design and specifications for a typical Shop. Franchisee will construct the Shop according to these designs and specifications and other specifications in the Operations Manual, in accordance with all applicable codes, ordinances, rules, and regulations, and pursuant to all required permits. Franchisee or its general contractor must provide Franchisor with a final design plan for the particular Shop Site which must be approved by Franchisor (the "Shop Plan"). In addition to any remodeling required by Franchisor upon the renewal of this Agreement or upon assignment of this Agreement, Franchisee shall, upon written notice from Franchisor and at Franchisee's sole cost and expense, remodel and make improvements and alterations in and to the Shop as reasonably determined by Franchisor from time to time to be necessary to reflect Franchisor's then-current specifications, standards, format, image, and appearance.

(e) Commencement of Operations. Franchisee must open the Shop within one (1) year of executing a lease for the Shop. If Franchisee fails to open within such timeframe, Franchisor may, at its sole option, terminate this Agreement.

5. Fees.

(a) General. Franchisee agrees to pay Franchisor all required payments under this Agreement, including, without limitation, the payments set forth in this Section 5. All payments hereby required constitute a single financial arrangement between Franchisee and Franchisor which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to Franchisee by Franchisor in this Agreement and the services rendered by Franchisor during the term hereof.

(b) Initial Franchise Fee. Franchisee acknowledges that the initial grant of the right to operate the Shop pursuant to this Agreement constitutes the sole consideration for the payment of an initial fee in the amount of $50,000 paid by Franchisee to Franchisor, simultaneously with the execution of this Agreement (the "Initial Fee"). Franchisee acknowledges that the Initial Fee is fully earned upon payment to Franchisor and is not refundable to Franchisee.

(c) Royalty. Franchisee agrees to pay Franchisor a royalty fee of six percent (6%) of Gross Sales ("Royalties") for the use of the System. Royalties shall be paid weekly on the Tuesday of each week based upon Gross Sales for the preceding week.

(d) Equipment. Prior to opening, Franchisee will be required to purchase from Approved Suppliers initial equipment and other items and fixtures. This fee is uniformly imposed for all franchisees and is non-refundable.

(e) Unapproved Supplier or Product Fee. If Franchisee either (a) offers or sells any unapproved product at the Shop or (b) purchases product to be sold at the Shop from an unapproved supplier, then Franchisee must pay to Franchisor a fee of $500 per occurrence.

(f) Interest and Late Charges. In the event that Franchisee is past due on the payment of any amount due to Franchisor under this Agreement, including accrued interest, Franchisee is required, to the extent permitted by law, to pay interest on the past due amount to Franchisor for the period beginning with the original due date for payment to the date of actual payment at an monthly rate equal to, the lesser of one and a half percent (1.5%) per month, or the highest rate available by law. Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365. Franchisee is also required to pay $50 per late payment and $50 per late report.

(g) Method of Payment. Franchisor requires payment of Royalties by making direct weekly withdrawals in the form of an electronic or similar funds transfer in the appropriate amount(s) from Franchisee's bank account. Franchisee agrees to execute and deliver to its bank and to Franchisor those documents necessary to authorize such withdrawals and to make payment or deposit as directed by Franchisor, including the Electronic Fund Transfer Agreement attached to this Agreement as Exhibit F. Franchisee further agrees that it will not thereafter terminate such authorization so long as this Agreement is in effect. Franchisee agrees that it will not close such bank account without prior notice to Franchisor and the establishment of a substitute bank account permitting such withdrawals. Franchisee also agrees that in the event that a direct electronic funds transfer or other withdrawal program is not available at the bank at which it currently does its business, it will take all reasonable and necessary steps to establish an account at a bank which does have such a program.

(h) Gross Sales. For the purposes of this Agreement, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted at or from the Shop, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Shop, together with the amount of all orders taken or received at the Shop, whether such orders be filled from the Shop or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial).

(i) Reports. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to Franchisor and shall also deliver such additional financial and operating reports and other information as Franchisor may reasonably request. Franchisee agrees to purchase a point-of-sale system ("POS") designated by Franchisor and pay all applicable fees. Franchisee shall use the POS software to collect all of the sales, inventory, and financial data of the Shop which will provide Franchisor independent access to the information collected through the POS system. Franchisee agrees to maintain the POS, purchase all required software or hardware upgrades and updates, and not interfere, in any way, with Franchisor's ability to access the Shop's information through the POS system.

(j) Financial Statements. Franchisee agrees to submit within ninety (90) days following the close of each fiscal year of the Shop's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall be certified by a certified public accountant. Franchisee shall, at Franchisee's expense, cause Franchisee's certified public accountant, to consult with Franchisor concerning such required financial statements. The original of each such report required by this Section 5 shall be mailed to Franchisor at the address indicated in Section 18 herein.

(k) Audit. Franchisor shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee by an amount equal to two percent (2%) or more of originally reported Gross Sales, Franchisee shall, in addition to repayment of monies owed with interest, bear the cost of such inspection and audit (including, without limitation, travel, lodging, wages, and reasonable accounting and legal costs).

(l) Franchisor reserves the right to institute a technology fee, which is to be paid in the same manner and at the same time as the Royalty, based on the development of new technologies for use in connection with the Shop.

6. Obligations of Franchisor.

(a) Plans and Specifications. Franchisor shall make available, at no charge to Franchisee, its standard plans and specifications for a typical Shop, including exterior and interior design and layout, fixtures, furnishing and signs. Franchisee acknowledges that such plans and specifications will not contain the requirements of any federal, state or local law, code or regulation (including those concerning the American with Disabilities Act (the "ADA")) or similar rules governing public accommodations or commercial facilities with people with disabilities.

(b) Operations Manual. Franchisor shall lend to Franchisee or provide Franchisee access to a copy of the business manual prepared for use by franchisees of Shops similar to the Shop (the "Operations Manual"). Franchisee agrees to promptly adopt and use exclusively the operating, accounting and reporting procedures as well as the formulas, methods, quality standards for services, donut and sandwich preparation techniques, and recipes contained in the Operations Manual, now and as they may be modified from time to time. Franchisee acknowledges that Franchisor or its affiliates own all proprietary rights in and to the System and that the information revealed in the Operations Manual, in its entirety, constitute confidential trade secrets. Without the prior written consent of Franchisor, Franchisee shall not disclose the contents of the Operations Manual to any person, except employees of Franchisee for purposes related solely to the operation of the Shop, nor shall Franchisee reprint or reproduce the Operations Manual in whole or in part for any purpose. Such Operations Manual, as modified from time to time, and the policies contained therein, is incorporated in this Agreement by reference. The Operations Manual and any additions, revisions, supplements, or modifications thereto may be provided in electronic format and supplied via e-mail, facsimile, through access to a private website, or other electronic manner, as Franchisor may determine in its discretion. In the event of a dispute relative to the contents of the Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling.

(c) Initial Training Program. Franchisor shall make available to Franchisee's Manager the training program for the System, which is conducted on-site in Franchisor's affiliate's Shop located in Philadelphia, Pennsylvania, at Franchisee's Shop, or at another location designated by Franchisor. Shop operations will not be permitted to commence unless all aspects of initial training have been successfully completed to Franchisor's satisfaction at least one month prior to the opening of the Franchisee's Shop. Franchisee is required to complete, to Franchisor's satisfaction, the Initial Training Program at least one month prior to opening the Shop. If additional training is required, Franchisee will be advised of the adjustments needed to successfully complete the Initial Training Program and be approved for opening. Franchisor does not charge a fee for this Initial Training Program; however, the Franchisee's Manager's expenses in attending this program, including travel costs, meals, and lodging, are Franchisee's responsibility. All persons receiving training must sign the Confidentiality and Non-Compete Agreement in the form attached hereto as Exhibit D.

(d) Subsequent Training. Franchisor or its designee may provide and/or require additional, refresher, or follow-up training sessions and require Owner-Operators or Managers and any other owners or employees to attend either by teleconference, webinar, or on-site at a location designated by Franchisor. Franchisor will not charge a tuition fee for Subsequent Training unless Franchisor requires them due to Franchisee's default of this Agreement. Any costs associated with the training including travel, airfare, food, lodging, any fees associated with accessing the teleconference or webinar, and any other expenses, shall be borne by Franchisee.

(e) Inspections. Franchisor may conduct from time to time such inspections of Franchisee's operations of the Shop as it deems advisable and Franchisee shall provide access to the Shop and any records at Franchisor's request.

(f) Donut Varieties. Franchisor will provide an approved list of donut varieties to be sold at the Shop on a weekly, monthly, and/or seasonal basis, some of which may be required or not required depending on the location of the Shop.

7. Advertising.

(a) Franchisee is required to expend between $10,000 and $15,000 during the period between sixty (60) days prior to opening the Shop and ninety (90) days after opening the Shop in an effort to market, promote and advertise the Shop ("Grand Opening Advertising"). Franchisor will typically designate the exact amount Franchisee must expend on the Grand Opening Advertising within thirty (30) days of the date Franchisee secures a Premises. This amount currently is payable to advertising vendors.

Franchisee shall use only advertising and promotional materials and programs provided by Franchisor or approved in advance, in writing, by Franchisor in accordance with the procedures set forth in the Operations Manual. Neither (a) the approval by Franchisor of Franchisee's advertising and promotional material nor (b) the providing of such material by Franchisor to Franchisee shall, directly or indirectly, require Franchisor to pay for such advertising or promotion.

(b) If Franchisee wishes to use any advertising or promotional materials other than those that Franchisor has previously approved or designated within the preceding ninety (90) days, then Franchisee must submit the materials it wishes to use to Franchisor for Franchisor's prior written approval at least thirty (30) days prior to publication. Franchisor will use commercially reasonable efforts to notify Franchisee of its approval or disapproval of the proposed materials within fourteen (14) days of the date Franchisor receives the materials. If Franchisor does not provides its written approval during that time period, however, the proposed materials are deemed disapproved and Franchisee may not use such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor: (i) prescribes a different time period for use; or (ii) requires Franchisee to discontinue using the previously approved materials in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, including materials Franchisor previously approved, at any time.

(c) Franchisor reserves the right to establish a System-wide brand development fund (the "Fund") for the benefit of the System and the FEDERAL DONUTS & CHICKEN brand generally. If and when established, Franchisee shall be required to contribute to this Fund at the same time and same manner as the Royalty Fee in an amount equal to one percent (1%) of the Gross Sales of the Shop during the preceding week (the "Fund Contribution"). Franchisor reserves the right to increase the Fund Contribution to up to two percent (2%) of the Gross Sales of the Shop.

(i) Franchisor will administer and use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that Franchisor believes will enhance the image of the System.

(ii) Franchisor will designate 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 also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio 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 be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as Franchisor deems appropriate in its discretion. Franchisor and/or a regional or national advertising agency may be used to produce all advertising and marketing.

(iii) Franchisor will account for the Fund contributions separately from other funds and not use the Fund for any of its general operating expenses, except to compensate

Franchisor for the reasonable salaries, administrative costs, travel expenses and overhead Franchisor incurs in administering the Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions. The Fund will not be Franchisor's asset or a trust, and Franchisor does not owe Franchisee fiduciary obligations because of Franchisor's maintaining, directing or 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 Franchisor or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Franchisor will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. Franchisor will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that Franchisor may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Fund. Franchisor will prepare an unaudited, annual statement of Fund collections and costs and provide it to Franchisee upon written request. Franchisor may incorporate the Fund or operate it through a separate entity if Franchisor deems appropriate. Franchisor's affiliate-owned Shops may, but are not required to, contribute to the Fund in the same manner that each franchised Shop is required to contribute.

(iv) Franchisor is not required to spend any of the Fund Contributions in the Protected Territory. Franchisor is not required to have the Fund audited, but Franchisor may do so and use the Fund Contributions to pay for such an audit. If Franchisor does not spend all Fund Contributions in a given year, then Franchisor may rollover any excess contributions into the Fund for use during the following year. Franchisor will have the right to modify or discontinue the Fund, as it deems appropriate in its sole discretion.

(d) Franchisor reserves the right to establish an advertising council (the "Advertising Council") to serve in an advisory capacity to Franchisor with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund.

(e) Franchisor reserves the right to establish regional advertising cooperatives (each, a "Cooperative") that are comprised of a geographical market area that contain two (2) or more Shops (whether a franchisee-owned or affiliate-owned). If Franchisor assigns the Shop to a Cooperative, then Franchisee must work with the other Shop owners in such Cooperative and Franchisor to develop and implement regional advertising campaigns designed to benefit all the Shops within the geographical boundaries of the Cooperative.

(f) Franchisee must ensure that the Shop is listed in the appropriate Internet-based telephone directories that Franchisor designates. Franchisee must ensure that the Shop has a dedicated telephone line that is not used for any other purpose.

(g) Franchisee must ensure that the Shop is listed in appropriate Internet-based telephone directories that Franchisor designates. Franchisee must also ensure that the Shop has a dedicated telephone line that is not used for any other purpose.

8. Operations.

(a) Compliance with System. Franchisee acknowledges that every component of the System is important to Franchisor and to the operation of the Shop as a System franchise, including a designated menu of donut, sandwich, food and coffee products; uniformity of food and beverage specifications, preparation methods, quality, and appearance; and uniformity of facilities and service. Franchisor has the right to modify the System at any time, including the menu offered at the Shop as well as other System changes. Franchisee shall comply with the entire System, including, but not limited to:

(i) Franchisee must purchase initial equipment and other items from an Approved Supplier prior to opening the Shop ("Initial Inventory"). Franchisee must also purchase initial inventory from an Approved Supplier prior to opening the Shop, including chicken, donut batter, finishing ingredients for decorating donuts, coffee beans, uniforms and branded retail merchandise ("Initial Inventory"). At Franchisor's direction, Franchisee may be required to purchase certain inventory from Franchisor's affiliate acting as a commissary on an as-needed basis. Franchisor and/or its parent may add additional commissary operations to service geographic locations outside the reach of the affiliate and, if the Shop is located near this commissary, Franchisee will be required to purchase the above-listed inventory from this commissary.

(ii) Operating the Shop in a clean wholesome manner in compliance with Standards prescribed by Franchisor; complying with all business policies, practices, and procedures imposed by Franchisor; serving at the Shop only those food and beverage products now or hereafter designated by Franchisor; and maintaining the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome and well-lighted condition, free from disrepair, and in compliance with designated Standards as may be prescribed from time to time by Franchisor;

(iii) Purchasing inventory, kitchen fixtures, lighting, signs, and other equipment in accordance with equipment specifications and layout approved by Franchisor and, promptly after the Shop premises are ready for occupancy, cause the installation thereof;

(iv) Keeping the Shop constructed and equipped in accordance with the Standards prescribed by Franchisor, and ensuring that the Shop conforms at all times to local ordinances, buildings codes, and laws;

(v) Abstaining from, without the prior written consent of Franchisor, making any design conversion, alterations, or additions to the building, equipment, or parking area;

(vi) Making repairs or replacements required: (a) because of damage or wear and tear or (b) in order to maintain the Shop building and parking area in good condition and in conformity to the Shop Plan;

(vii) Operating the Shop at seven (7) days per week throughout the year (except when the Shop is uninhabitable as a result of fire or other casualty) and at least during the hours from 6 a.m. to 8 p.m., or such other hours as may be approved, in writing, by Franchisor, or as otherwise set forth in the Operations Manual or as Franchisee chooses based on its location and customer preferences;

(viii) Maintaining sufficient supplies of food and paper products and other inventory as prescribed in the Operations Manual and as is sufficient to meet reasonably anticipated customer demand;

(ix) Employing adequate personnel so as to operate the Shop at its maximum capacity and efficiency;

(x) Causing all employees of the Shop, while working in the Shop, to: (a) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time; (b) present a neat and clean appearance; and (c) render competent and courteous service to customers;

(xi) In the dispensing and sale of drink and food products: (a) using only containers, cartons, bags, napkins, other paper goods, and packaging meeting those standards which meet the System Standards; (b) using only those flavorings, garnishments, and food and beverage ingredients which meet the System Standards; and (c) employing only those methods of food handling and preparation which meet System Standards;

(xii) At Franchisee's own expense, complying with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Shop. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of any violation or citation which indicates Franchisee's failure to maintain local health or safety standards;

(xiii) At Franchisee's own expense, obtaining a music system that plays music on speakers in the Shop for customers to hear, and agreeing that (a) Franchisor has the right to specify the type of music and the source(s) of such music, and (b) Franchisee understands and acknowledges that it is solely responsible for obtaining and must obtain the necessary licenses to play such music in the Shop; and

(xiv) Participating in Franchisor's website-ordering capability for all Shops operating under the System, as prescribed by Franchisor in its Operations Manual or otherwise in writing from time to time;

(xv) Offering customers the ability to buy and make purchases with gift cards, using a specified system (the "Gift Card System"), and participating in the system-wide loyalty program ("Loyalty Program") where customers earn points to receive free drinks;

(xvi) Maintaining credit card processing hardware and software in compliance with the Payment Card Industry (PCI) Data Security Standard. Franchisee must accept credit and debit cards and to participate in the Gift Card System and Loyalty Program; and

(xvii) Maintaining the required point-of-sale system ("POS System"), which must be purchased from an Approved Supplier and maintaining internet access, along with our other technology requirements as set forth in the Operations Manual.

(xviii) Maintaining the required security system for the Shop, as prescribed by Franchisor in the Operations Manual.

(b) Evaluations and Analysis. Franchisor shall have the right to inspect the Shop at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the Standards of the System. This right shall include sampling and testing Franchisee's food, beverages and supplies, questioning Franchisee's landlord, customers, and employees, and conducting secret shopper evaluations from time to time and without prior notice. Franchisor representatives will use reasonable efforts to minimize interference with the operation of the Shop. If Franchisor reasonably determines that the Shop is not being operated in compliance with this Agreement or the Operations Manual or that the Shop is otherwise not being operated efficiently and effectively, then Franchisor may, at its discretion, place one or multiple representatives at the Shop to oversee the operation of the Shop. Franchisee will be responsible for the reasonable daily wage of the representative plus all of representative's travel and living expenses.

(c) Menu and Donut and Sandwich Preparation. Franchisee acknowledges the importance of the Franchisor products and services in the operation of the Shop and agrees that the operation of the Shop will be confined to the preparation, sale, and rendering only of such food, beverages, goods and services at retail (not wholesale) and not for resale or distribution, as are from time to time required or authorized by Franchisor. Franchisor may add or delete menu items, products, merchandise, or services, from time to time, and Franchisee shall do the same upon notice from Franchisor unless its prior written consent to the contrary is obtained. Franchisor may also update the look and design of the menu and Franchisee shall be required to update the menu accordingly, at its expense.

(d) Suppliers. So that Franchisor may control the quality and consistency of food, beverages, and other items sold or used in all Shops, all food, beverages, supplies, equipment, merchandise, uniforms, goods, fixtures, inventory, paper products, packaging, and other items used, served, or sold in the Shop shall be purchased from only those suppliers and sources designated or approved by Franchisor. If Franchisee proposes to use any supplies or supplier which is not then approved, Franchisee must pay an evaluation fee of its costs incurred and notify Franchisor in writing and submit sufficient information, samples, and specifications to allow Franchisor to determine if the supplier meets the Franchisor approved supplier criteria. All criteria used by Franchisor in making its determination and any further procedures for obtaining approval of a new supplier are set forth in the Operations Manual.

(e) Shop Supervision. The Shop shall at all times be under the direct on-premises supervision of Franchisee, the Owner-Operator, or an approved Manager who has satisfactorily completed the Initial Training program. Franchisee shall be solely responsible for all employment decisions and functions of the Shop, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees.

(f) Refurbishing. At Franchisor's request, but not less than every five (5) years, Franchisee shall refurbish, up-grade, and/or remodel the Shop and its equipment, at Franchisee's expense, to conform to the equipment, building design, trade dress, and color schemes in a manner consistent with the then current image for new System franchises and in accordance with any descriptions set forth in the Operations Manual. Such refurbishment may include, without limitation, structural changes, installation of new equipment, remodeling, redecoration, and modifications to existing improvements.

(g) Re-Location. If Franchisee desires to relocate the Shop, Franchisee shall submit to Franchisor a written request to approve the proposed new location for the Shop. Prior to closing the existing Shop, the new Shop must be open and operating, except in cases of fire or other disaster that require the existing Shop to immediately close. Franchisor is not obligated to approve or consider any request for relocation and may, in its sole discretion, deny a request or require any of the conditions set forth below, as supplemented from time to time in the Operations Manual, prior to the consideration of such proposed locations:

(i) Franchisee shall be in compliance with all terms of this Agreement;

(ii) Franchisor may review Franchisee financials to assure Franchisee has funds to relocate the Shop;

(iii) Franchisee shall execute a general release as described in Subsection 11(c)(vii); and

(iv) Franchisor may impose a fee for Franchisor's services in connection with such approval and relocation.

(h) Minimum Performance Requirements. After Franchisee's first year of operation, Franchisee will be required to meet or exceed an annual Gross Sales amount of $1 Million per Shop to maintain the right to operate the Shop and the Protected Territory. There is no minimum requirement for the first year of operation. If you do not meet these standards, then we may adjust your Protected Territory, requiring you to attend additional training, requiring you to expend additional amounts on advertising and marketing, and, if necessary, we may terminate your Franchise Agreement.

(i) Gift Card Program and Loyalty Program Gross Sales. Franchisee agrees and acknowledges that if a customer purchases a gift card from a given Shop and subsequently redeems such gift cards at a different Shop, the Shop that receives the Gross Sales associated with the customer's redemption of the gift card will pay the appropriate Royalty on those Gross Sales or as otherwise described by the Gift Card System. Each month Franchisor calculates a gift card redemption such that the Shop where the customer purchased the Gift Card will reimburse the Shop where the customer eventually redeems the Gift Card. The Shop where a customer redeems a free drink under our Loyalty Program will not be reimbursed for such free drink.

9. Limitations of Franchise.

(a) Franchisor's Intellectual Property.

(i) Franchisee acknowledges that Franchisor and/or its affiliates or principals are the exclusive owners of the Intellectual Property and of the standards, specifications, operating procedures and other elements of the System. Franchisee further acknowledges that any modifications to the System or any substitutions or additions to the Intellectual Property suggested or developed by Franchisee and approved by Franchisor shall be owned exclusively by Franchisor and/or its affiliates or principals and may be incorporated by Franchisor and/or its affiliates or principals into the Intellectual Property without compensation to Franchisee.

(ii) Franchisee shall use the System and the Intellectual Property strictly in accordance with the terms of this Agreement and all policies set forth from time to time in the Operations Manual. Any unauthorized use of the System and/or the Intellectual Property is and shall be deemed an infringement of Franchisor and its affiliates' rights.

(iii) Except as expressly provided in this Agreement, Franchisee shall acquire no right, title, or interest to the System or the Intellectual Property; all goodwill associated with the System and the Intellectual Property used by Franchisee shall inure exclusively to Franchisor's and its affiliates benefit; and upon the termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with the Franchisee's use of the System or the Intellectual Property.

(iv) Franchisee shall, at no time, take any action whatsoever to contest the validity, ownership, distinctiveness or enforceability of the Intellectual Property and the goodwill associated therewith. Franchisee agrees that any use by Franchisee of all or any part of the System or the Intellectual Property contrary to any provision of this Agreement, or any use by Franchisee of any confusingly similar method, format, procedure, recipe, food and drink preparation, technique, system, name, trade dress, mark, symbol, emblem, slogan, insignia, term, designation, design, diagram, promotional material or course material, during or after the term of this Agreement, shall cause irreparable injury to Franchisor, shall constitute a material breach of this Agreement, and shall entitle Franchisor, its principals or its affiliates to obtain temporary, preliminary or permanent injunctive relief from a court or agency of competent jurisdiction, and to recover court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate remedies.

(b) Limitations on Marketing and Advertising. Franchisee shall exclusively operate and advertise the Shop under the trade names "FEDERAL DONUTS" and "FEDERAL DONUTS & CHICKEN" in accordance with Franchisor's requirements. Upon expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately take all steps necessary to cease using Franchisor's trade names, trademarks and service marks, or any name or mark confusingly similar to any such trade names or service marks as described in Section 16(d). Franchisee acknowledges that the use of the words "FEDERAL DONUTS" and/or "FEDERAL DONUTS & CHICKEN" within trade names or service marks shall be prohibited during and after the term of this Agreement, unless approved by Franchisor, which approval may be given in its sole discretion and may be limited to the term of this Agreement. Upon expiration or termination of this Agreement, Franchisee hereby designates Franchisor as its attorney-in-fact to execute and deliver documents terminating Franchisee's trade name or business name registrations that incorporate the names "FEDERAL DONUTS" or "FEDERAL DONUTS & CHICKEN" or any other trade names or marks used by Franchisor.

(c) Internet and Other Electronic Communication. Franchisee acknowledges that it may not use the Intellectual Property on the Internet, World Wide Web, or any other means of electronic communication now existing or developed in the future without Franchisor's express written approval, which may be withheld at Franchisor's sole discretion.

(d) Non-Exclusivity. This Agreement and the right to use the System and the Intellectual Property granted hereunder are non-exclusive, and Franchisor retains the right in its sole and unrestricted discretion to grant franchise and license rights to other persons outside the Protected Territory, subject to the terms and conditions of this Agreement.

(e) Franchisor's Further Reservation Rights. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, in its sole and unrestricted discretion and as it may deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee or franchisees based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of such franchise owner's business. Franchisor may grant to one or more franchisees variations from standard specifications and practices as Franchisor determines in its sole and unrestricted discretion, and Franchisor shall have no obligation to grant Franchisee like or similar variations.

(f) Modification of Intellectual Property. If it becomes advisable at any time in Franchisor's sole discretion to modify or discontinue the use of any Intellectual Property (including, but not limited to any trademarks used in connection with the Shop) and/or use one or more additional or substitute names or marks, you must comply with our direction no later than ten days after you have received notice. Franchisor will not be liable to you for any expenses, losses, or damages Franchisee sustains as the result of any such addition, modification, substitution, or discontinuance of any Intellectual Property and Franchisee must not commence or join in any litigation or other proceeding against Franchisor for any such expenses, losses, or damages.

10. Restrictive Covenants. Franchisee acknowledges that as a franchisee, it will receive specialized training, including operations training, in the System and receive access to confidential and proprietary information. As a condition to training Franchisee, sharing Franchisor confidential and proprietary information, and granting Franchisee a license to operate the Shop within the System and use Intellectual Property, Franchisor requires the following covenants in order to protect Franchisor's legitimate business interests and interests of other franchisees in the System.

(a) Non-Competition/Non-Solicitation. Franchisee, and persons controlling, controlled by or under common control with Franchisee, and each of Franchisee's shareholders, members, partners, officers, or any person who has a direct or indirect beneficial interest in the franchised business shall not, directly or indirectly:

(i) During the term of this Agreement, without the prior written consent of Franchisor, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, become a landlord for, perform any activities for, provide any assistance to, or receive any financial or other benefit from, any business or venture that sells products that are the same or similar to the Shop;

(ii) For a period of two (2) years after termination, expiration, or transfer of this Agreement, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, become a landlord for, perform any activities for, provide any assistance to, or receive any financial or other benefit from any business or venture that sells products that are the same or substantially similar to the Shop within a ten (10) mile radius of the Shop or within a ten (10) mile radius of any other Franchisor franchise open or under development. The restrictions contained in Subsection 10(a)(i) and this 10(a)(ii) shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange; or

(iii) During the term of this Agreement and for a period of two (2) years after termination, expiration, or transfer of this Agreement, solicit, contact, call upon, communicate with, or attempt to communicate with any customer for the purpose of providing or obtaining any business or services that are the same or similar in nature to the business of the Shop or persuade any customer to cease to do business or to reduce the amount of business which any such customer has customarily done or is reasonably expected to do with Franchisor or any of its Shops.

(b) Intellectual Property. Franchisee, shall not, directly or indirectly, without Franchisor's prior written consent, during the term of this Agreement and at any time thereafter, use any of the Intellectual Property for any unauthorized purpose; use any confusingly similar method, format, procedure, technique, system, name, recipe, food and drink preparation, trade dress, mark, symbol, emblem, slogan, insignia, term, designation, design, diagram, promotional material, or course material; or cause or permit any facility or program to look like, copy or imitate any facility or program operated or licensed by Franchisor.

(c) Confidential Information. Franchisee, and persons controlling, controlled by or under common control with Franchisee, and all owners, operators, and employees of Franchisee, shall at all times during and after this Agreement, treat as confidential all manuals and materials designated for use with the System (including without limitation the Operations Manual), and such other information as Franchisor may designate from time to time for confidential use with the System (as well as all trade secrets and confidential information, knowledge and know-how concerning the operation of the Shop that may be imparted to, or acquired by, Franchisee from time to time in connection with this Agreement), and shall use all reasonable efforts to keep such information confidential. Franchisee acknowledges that the unauthorized use or disclosure of such confidential information (and trade secrets, if any) will cause incalculable and irreparable injury to Franchisor. Franchisee accordingly agrees that it shall not, at any time, without Franchisor's prior written consent, disclose, use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about Franchisor's Standards and such other information or material as Franchisor may designate as confidential, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor without the breach of any obligation to any person, or which is or has become a part of the public domain through publication and communication by others, such others not to include parties to any franchise agreement with Franchisor.

(d) Goodwill. Franchisee and all persons controlling, controlled by, or under common control with Franchisee and all Owner-Operators, employees, and owners, during the term hereof and at any time thereafter shall not perform or contribute to any act injurious or prejudicial to the goodwill associated with Franchisor, the System or its Intellectual Property.

(e) Restrictive Covenants of Employees and Owners. Franchisee shall cause each of its owners, officers, directors, members, partners, and Managers to enter into the non-disclosure and covenant not-to-compete agreement (the "Non-Disclosure & Non-Compete Agreement") attached hereto as Exhibit D with Franchisor. An executed copy of the Non-Disclosure and Non-Compete Agreement for each of the parties described above must be delivered to Franchisor prior to the Shop opening.

11. Transfer/Assignment. Franchisor has the right to transfer this Agreement without the prior consent of Franchisee. Without the prior written consent of Franchisor, Franchisee's interest in this Agreement or the Shop shall not be sold, pledged, assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this Section. Any transfer lacking Franchisor's prior written consent or that otherwise violates the restrictions in this Section will be ineffective against Franchisor and will constitute a default under Section 15(b). Franchisee acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System and the Intellectual Property, as well as Franchisor's reputation and image, and are for the protection of Franchisor, Franchisee and other franchisees.

(a) Death or Permanent Incapacity of Franchisee. Upon the death, disability or permanent incapacity of Franchisee, Franchisor shall not unreasonably withhold its consent to the transfer of all of the interest of Franchisee to a spouse, heirs or relatives, by blood or marriage, whether such transfer is made by will or by operation of law, provided that the requirements of this Section 11(c) have been satisfied; provided, however, that no transfer fee (as set forth in Section 11(e)(viii)) shall be required. In the event Franchisee's spouse, heirs or relatives do not obtain the consent of Franchisor as prescribed herein, the personal representatives of Franchisee shall have a reasonable time to dispose of Franchisee's interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement and which, in any event, must occur within six (6) months of such death, disability or permanent incapacity: Franchisor shall have an option to operate and/or manage the Shop for the account of Franchisee or Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to Franchisor. In the event that Franchisor so operates and/or manages the Shop, Franchisor shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee, expenses, and any Royalties or fees otherwise due to Franchisor. If the disposition of the Shop to a party acceptable to Franchisor has not taken place within six (6) months from the date that Franchisor has commenced the operation or management of the Shop on behalf of the deceased or incapacitated Franchisee, then, in that event, Franchisor shall have the option to purchase the Shop at its fair market value.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor, Franchisor shall consent to an assignment to a corporation. The name of the entity shall not include any of the names or trademarks, or portions thereof, granted by this Agreement. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said equity shall be made in compliance with the terms and conditions set forth in this Section.

(c) Voluntary Transfer. Franchisor's consent to a Transfer of Franchisee's interest in the Agreement or the Shop will not be unreasonably withheld, provided that Franchisee files a written request for Franchisor's consent within thirty (30) days prior to the proposed transfer date and complies with all of the following conditions:

(i) Franchisee continues to operate the Shop through the effective date of transfer and is not in default of this agreement or any Agreement with Franchisor;

(ii) All monies owed to Franchisor by Franchisee have been paid (including, but not limited to, Royalties);

(iii) The proposed transferee appoints an Owner-Operator who satisfactorily completes Initial Training prior to the date of transfer and pays the then current training fee for enrollees;

(iv) The proposed transferee meets with Franchisor, completes Franchisor's Franchise Application, provides a copy of the sale contract and satisfies Franchisor that it meets all of Franchisor's requirements for new franchisees, including, but not limited to, requirements relating to good reputation and character, business acumen, operational ability, financial strength and other business considerations, work experience and aptitude, ability to personally devote full time and best efforts to managing the Shop, residence in the locality of the Shop, equity interest in the Shop, the absence of conflicting interests, and such other criteria and conditions as Franchisor shall then apply in the case of an application for a new franchise to operate a Shop;

(v) Franchisee delivers to Franchisor all copies of the Operations Manual, as supplemented or amended, marketing materials and any and all copyrighted or confidential materials of Franchisor;

(vi) The transferee executes or, in appropriate circumstances, causes all necessary parties to execute, Franchisor's then current standard form of Franchise Agreement for the Shop and such other then-current ancillary documents being required by Franchisor of new franchisees on the date of transfer, including the Owner's Guaranty;

(vii) Franchisee executes a general release, duly notarized, in the form attached to this Agreement as Exhibit E, of any and all claims against Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, except any claims arising under any applicable franchise registration and disclosure law; and

(viii) Franchisee or the transferee pays Franchisor a transfer fee equal to the greater of $25,000 or 50% of our then-current Initial Franchise Fee to cover Franchisor's reasonable costs in effecting the transfer and in providing other initial assistance to the transferee.

(d) First Option to Purchase. If any owner of the Franchisee or Shop, at any time, determines to sell an interest in the Franchisee or Shop, its assets, or any ownership in the Franchisee or Shop whatsoever, or Franchisee obtains a bona fide, executed written offer from a potential purchaser, then Franchisee must submit a copy of such offer to Franchisor. Franchisor shall have the right to purchase such interest in the Shop, its assets, or such ownership interest in the Franchisee, for the price and on the terms and conditions contained in the offer, provided that we may substitute cash for any form of payment proposed in such offer and shall have at least thirty (30) days to prepare for the closing. Franchisor shall exercise its right of first refusal by providing written notice to Franchisee within thirty (30) days from the date of delivery of an exact copy of the offer to Franchisor. If Franchisor does not exercise its right of first refusal, then Franchisee may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval as provided in Section 11(c) above, provided that, if the sale to such purchaser is not completed within one hundred and twenty (120) days after delivery of the offer to us, or there is a material change in the terms of the sale, Franchisor shall again have the right of first refusal provided in this section.

(e) Waiver of Interference Claims. Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute wrongful conduct, including without limitation, unlawful interference with Franchisee's business or contracts. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Without limitation of the foregoing, Franchisee waives any claim that any action Franchisor takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

12. Renewal of Franchise.

(a) Franchisee's Right to Renew. Upon expiration of the Term, Franchisor will provide a right to renew this Agreement for the period set forth in Section 3, provided:

(i) Franchisee is in compliance with all terms of this Agreement, the Operations Manual, and any other agreements with Franchisor, including but not limited to, the payment of all Royalties and all other monetary obligations;

(ii) Franchisee executes the then-current form of standard franchise agreement and such agreement shall supersede this Agreement and the terms of which may differ from this Agreement, including higher Royalties;

(iii) Franchisee pays a renewal fee of the greater of $25,000 or fifty percent (50%) of the then-current Initial Franchise Fee upon execution of our then-current franchise agreement;

(iv) Each Owner executes a general release in the form attached to this Agreement as Exhibit E, of any and all claims against Franchisor and its affiliates, officers, directors, employees, and agents;

(v) Franchisee completes any required additional training course and complies with Franchisor's then-current qualification and training requirements;

(vi) Franchisee maintains ownership or possessory leasehold rights to the Shop Site for a term co-extensive to the Renewal Term and agrees to complete any re-modeling required by Franchisor, replace or refurbish fixtures, signs, equipment, furniture and furnishings, and otherwise modify the Shop's methods and operations in compliance with the specifications and then current Standards applicable for new Franchisor franchises.

(b) Notice of Renewal. Franchisee must give Franchisor written notice of its desire to exercise its option to renew at least one hundred and eighty (180) days prior to the expiration of the current franchise Term.

13. Franchisee Not an Agent of Franchisor. Franchisee shall have no authority, express or implied, to act as an agent of Franchisor or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Shop and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Shop. Further, Franchisee and Franchisor are not and do not intend to be partners, associates, or joint employers in any way and Franchisor shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances. Franchisee agrees to post language summarizing this Section 13 in a portion of the Shop visible by the public in such wording, font, size, color, and manner as set forth in the Operations Manual.

14. Insurance. Franchisee shall acquire and maintain in effect not less than the following insurance coverage in the following minimum amounts which may be supplemented from time to time as set forth in the Operations Manual:

(a) Worker's' Compensation insurance prescribed by law in the state in which the Shop is located and Employer's Liability Insurance with $100,000/$100,000/$500,000 minimum limit.

(b) Commercial general liability insurance in a form approved by Franchisor with a minimum limit of $2,000,000 per occurrence/$4,000,000 aggregate.

(c) For any vehicle owned or leased by the Franchisee, business automobile liability coverage with a minimum combined single limit of bodily injury and property damage one $1,000,000.

(d) Employment Practices Liability Coverage (EPLI) with minimum limits of $1,000,000 and a maximum deductible of $5,000 per claim, including claims arising from discrimination, harassment and wrongful termination related to employment.

(e) All such insurance as may be required under the Franchisee's lease.

All insurance policies required to be carried hereunder shall name Franchisor and any party designated by Franchisor as additional insureds. All policies shall be effective on or prior to the date Franchisee is given possession of the Shop premises for the purpose of installing equipment or opening the Shop, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to Franchisor at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to Franchisor. In the event Franchisee shall fail to obtain the insurance required herein, Franchisor may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's fees. (Franchisee may authorize Franchisor to purchase and to administer the required minimum insurance on Franchisee's behalf. However, Franchisor, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) Franchisor may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee. All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Shop is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by Franchisor.

15. Default; Termination.

(a) Event of Default. If any event or condition listed in this Section 15 (an "Event of Default") occurs, Franchisee will be deemed to have committed a material breach of this Agreement. Franchisor's failure to take prompt action with respect to a particular Event of Default will not constitute a waiver of that or any subsequent Event of Default.

(b) Non-Curable Defaults. The parties agree that the happening of any of the following events shall constitute a material non-curable breach of this Agreement and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, Franchisor, at its election, may immediately terminate this Agreement:

(i) If Franchisee's Franchise Application was untrue, incomplete, or misleading in any material respects when delivered to Franchisor or if Franchisee makes, or has made, any misrepresentation to Franchisor in connection with acquiring, operating the Shop or using the Intellectual Property hereunder;

(ii) If Franchisee either (A) fails to observe or comply with the requirements of Section 11 in connection with any sale, assignment or transfer, or (B) makes a material misrepresentation in any transfer request or document in support of a request for consent to the transfer of the Agreement or the Shop;

(iii) If Franchisee does not commence operations within twelve (12) months after execution of this Agreement;

(iv) If Franchisee fails to present a bona fide site proposal to Franchisor within three (3) months after execution of this Agreement, subject to any extension granted by Franchisor;

(v) If Franchisee, or any person controlling, controlled by or under common control with Franchisee, misuses the System or the Intellectual Property, or any other names, recipes, food and drink preparation, trade dress, marks, systems, insignia, symbols or rights provided by Franchisor to Franchisee, or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or if Franchisee uses any names, recipes, food and drink preparation, trade dress, marks, systems, insignia or symbols not authorized by Franchisor, or otherwise breaches Section 9 of this Agreement;

(vi) If Franchisee abandons, surrenders, or fails to actively operate the Shop for a period of three (3) consecutive days, unless such failure to operate is due to fire, flood, earthquake or similar causes beyond Franchisee's control;

(vii) If Franchisee violates any provision of Section 10 of this Agreement;

(viii) If Franchisee, any Owner-Operator, or any person controlling, controlled by or under common control with Franchisee, is convicted of violating any law providing for felony criminal penalties or any other crime that is reasonably likely to adversely affect the System, the Shop, or the goodwill associated with the Intellectual Property, including fraud, embezzlement, or any crime involving moral turpitude. In the event the Owner-Operator is charged or indicted with a felony, then Franchisor, at its option, may assume the management of the Shop under the terms of Section 11(a)(i), to and until the time the felony charge has successfully been resolved by acquittal or dismissal;

(ix) Franchisee fails to obtain or to maintain any license required by applicable law to lawfully operate the Shop or fails to comply with any federal, state, or local law or regulation applicable to the operation of the Shop;

(x) If Franchisee operates the Shop in a manner that presents a health or safety hazard to Franchisee's customers, employees, or the public;

(xi) If Franchisee defaults on two (2) or more separate occasions within any twelve-month period, or on three (3) or more separate occasions within any twenty-four-month period, in any obligation(s) (whether the same or different) under this Agreement, or any amendment or modification to this Agreement, or any other agreement with Franchisor, whether or not such defaults are timely cured;

(xii) Franchisee shall be adjudicated as bankrupt; become insolvent; or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(xiii) Any judgment or judgments aggregating in excess of $5,000 against Franchisee or any lien in excess of $5,000 against Franchisee's property which remains unsatisfied or unbonded of record in excess of thirty (30) days;

(xiv) Franchisee causes, suffers, or permits (voluntarily or involuntarily) Franchisee's right of possession as lessee or sub lessee of the premises on which the Shop is located to be terminated prematurely for any cause whatever;

(xv) Franchisee knowingly sells food or beverage products other than those designated by Franchisor or purchases such products from suppliers other than approved suppliers or which fails to conform to System specifications for those products, or which are not prepared in accordance with the methods prescribed by Franchisor, or fail to sell products designated by Franchisor;

(xvi) Franchisee denies Franchisor the right to inspect the Shop at reasonable times;

(xvii) Franchisee fails to make or makes repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Agreement; or

(xviii) Franchisee makes a material misrepresentation to Franchisor, including understating Gross Sales reported to Franchisor or otherwise underreports any fees due to Franchisor.

(c) Curable Breaches. The occurrence of any of the following events shall constitute a curable default under this Agreement. Franchisee may cure such Event of Default by taking appropriate remedial action within a prescribed time after Franchisor demands remedial action. Unless Franchisee cures such an Event of Default before the end of the indicated remedial period, Franchisor may terminate this Agreement or take any other actions as this Agreement permits.

(i) Franchisee submits a financial report or other data, information or supporting records which understate by more than two percent (2%) the Gross Sales, or other fees due for any reporting period, and Franchisee is unable to demonstrate that such understatements resulted from an inadvertent error;

(ii) Franchisee fails to maintain and operate the Shop in a good, clean, wholesome manner and in compliance with the standards prescribed by the System, and fails to cure such breach within five (5) business days after written notice from Franchisor;

(iii) If Franchisee fails to remit any payments immediately when due to Franchisor and fails to cure such breach within five (5) business days after written notice from Franchisor;

(iv) If Franchisee shall fail to submit to Franchisor any financial or other information required under this Agreement and fails to cure such breach within ten (10) business days after written notice from Franchisor;

(v) If Franchisee fails to operate the Shop in accordance with the Operations Manual and/or other manuals, or fails to conform to the specifications and standards of Franchisor or fails in any other way to maintain Franchisor's standards of quality in the operation of the Shop and fails to cure such breach within thirty (30) business days after written notice from Franchisor;

(vi) If Franchisee fails to obtain Franchisor's prior written approval or consent as expressly required by this Agreement and fails to cure such breach within five (5) business days after written notice from Franchisor, except for the written approval or consent required for a transfer under Section 11 which shall constitute a non-curable default;

(vii) If Franchisee fails to maintain the required insurance and fails to cure such breach within seven (7) business days after written notice from Franchisor;

(viii) If Franchisee breaches any other obligation undertaken by it under this Agreement (other than the non-curable defaults described in Section 15(b)) and fails to remedy such breach within fifteen (15) days after written notice from Franchisor specifying the breach alleged to have occurred and the action to be taken by Franchisee curing the same;

(ix) If Franchisee interferes with Franchisor's ability to access information on the POS system or if Franchisee closes or interferes with Franchisor's ability to access the account used to electronically transfer Royalties and other payments, and fails to cure such breach within five (5) business days after written notice from Franchisor;

(d) Cross Default. An Event of Default by the Franchisee under this Agreement shall constitute an Event of Default under any other Agreement between the parties.

16. Rights and Obligations of Franchisor and Franchisee upon Termination or Expiration of this Agreement.

(a) In the event of any breach of this Agreement under Section 15(b), Franchisor shall have an immediate right to enter and take possession of the Shop in order to maintain continuous operation of the Shop, to provide for orderly change of management and disposition of personal property, and otherwise protect Franchisor's interest.

(b) Upon termination of this Agreement due to any breach or breaches, Franchisee shall not, without the prior written consent of Franchisor, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. Franchisor shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property as determined by an independent appraiser appointed by Franchisor. In the event of such a termination, there shall be no payment by Franchisor for intangible assets of Franchisee.

(c) Upon termination of this Agreement due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Shop is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. Franchisor shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property as determined by an independent appraiser appointed by Franchisor. In the event of such a termination, there shall be no payment by Franchisor for intangible assets of Franchisee.

(d) Upon termination or expiration of this Agreement, Franchisee shall:

(i) pay within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalties and other fees, amounts or interest due to Franchisor which are then unpaid;

(ii) return to Franchisor the Operations Manual furnished to Franchisee, together with all other material containing trade secrets, operating instructions, drawings or business practices and all handbooks, records, samples, designs, recipes, or other manuals;

(iii) immediately discontinue the use of the System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them, and, within fifteen (15) days of termination or expiration, Franchisee shall, at its own expense, take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to Franchisee's use of any Intellectual Property and "de-identify" the Shop so that it no longer contains the Marks, signage, or any trade dress of a Shop, to the reasonable satisfaction of Franchisor. If you fail to do so within thirty (30) days after this Agreement is terminated or expires, Franchisor may enter the Shop to remove the Marks and de-identify the Shop, at your expense. In this event, Franchisor shall not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused be the de-identification;

(iv) not disclose, reveal, or publish all or any portion of the System and not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the System; and

(v) notify the telephone company and all listing agencies of the termination or expiration of the Agreement and of Franchisee's right to use the existing Shop telephone number(s) and any regular, classified or other telephone directory listing associated with any Intellectual Property, and authorize transfer of same to or at Franchisor's direction.

17. Liquidated Damages. If termination of this Agreement is based upon Franchisee's default, then within 10 days thereafter Franchisee shall pay to Franchisor a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Brand Development Fund Contributions that Franchisee owed to Franchisor under this Agreement for the 12 month period preceding the date on which Franchisee ceased operating the Shop; multiplied by (y) 24. If Franchisee had not operated the Business for at least 12 months, then (x) will equal the average Royalty Fees and Brand Development Fund Contributions that Franchisee owed to Franchisor during the period that Franchisee operated the Business. Franchisee acknowledges that a precise calculation of the full extent of Franchisor's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor's loss of Royalty Fees and Brand Development Fund Contributions that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 16, Franchisor's right to injunctive relief for enforcement of Section 9, and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that Franchisor may have under this Agreement or otherwise.

18. Effect of Waivers. No waiver by Franchisor of any breach or a series of breaches of this Agreement shall constitute a waiver of any subsequent breach or waiver of the terms of this Agreement.

19. Notices. Any notice, consents, or other communications required hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, return receipt requested, or sent by telecommunication with confirmed delivery, including electronic mail, facsimile and telegraphic communications, addressed to Franchisee at the Shop or, prior to identification of the Shop's physical address, to the Franchisee at the address set forth on Exhibit A and to Franchisor at:

TSR FRANCHISE GROUP, LLC
Attn: Jeff Benjamin
22 Wolf Street
Philadelphia, PA 19148
Phone: 267-634-9988
Email: franchising@federaldonuts.com

With a copy to:
Thomas J. Kent, Jr.
Saxton & Stump, LLC
100 Deerfield Lane, Suite #240
Malvern, PA 19355
tjk@saxtonstump.com

Either party, by a similar written notice, may change the address to which notices shall be sent. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery; (b) on the date delivered, if by overnight express type service; (c) on the date of transmission by telecommunication with confirmed delivery, if by electronic mail, facsimile or other electronic method; and (d) on the first occurring of (i) three (3) business days after mailing, postage prepaid, or (ii) the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed.

20. Governing Law; Jurisdiction; Venue; Remedies; Waivers.

(a) Governing Law. The terms and provisions of this Agreement shall be interpreted in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

(b) Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure and alleged breach hereunder. Franchisee must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

(c) Mediation and Arbitration. The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, both parties agree to try to resolve any dispute with mediation. If a dispute arises between the parties, then before beginning any legal action to interpret or enforce this Agreement, Franchisor, in its sole and absolute discretion, may request and Franchisee shall then agree to enter into formal non-binding mediation in accordance with laws and regulations of the Commonwealth of Pennsylvania. Mediation will be held in the Commonwealth of Pennsylvania in the County of Philadelphia. Upon initiation of mediation, the mediation procedures will be mutually agreed between the parties and a mediator selected by Franchisor. If requested by Franchisor, good faith participation in the mediation process is a precondition to entering into any arbitration to interpret or enforce this Agreement. Nothing in this section shall prevent Franchisor from seeking to obtain an interim, interlocutory and final injunctive or mandatory relief and/or other emergency relief available to safeguard and protect its interests without the requirement of an undertaking in damages or the posting security therefore. Costs for the mediator shall be shared equally. If mediation is not successful then prior to the institution of litigation and after mediation, the parties agree to submit to binding arbitration in Philadelphia County, Pennsylvania before a single, independent arbitrator, using the facilities and commercial arbitration rules of the American Arbitration Association ("AAA"). Franchisor and Franchisee waive the application of all rules of discovery and evidence. The arbitrator must be either a retired judge or an attorney with a minimum of 10 years' experience in the practice of franchise law who agrees to follow and apply the express provisions of this Agreement in determining his or her award. The parties will jointly share the costs of the arbitrators' fees and the fees payable to the AAA, but each party shall bear its own legal fees and other legal expenses. The award of the arbitrator will be final and binding except to the extent an arbitration award is appealable under the Federal Arbitration Act and may be enforced in any court of competent jurisdiction. The provisions of the Federal Arbitration Act will govern arbitration under this Section 20(c) except to the extent it is inconsistent with any provision of this Agreement including this Section 20(c). Notwithstanding the above: (i) Franchisor will have the right, at its option, to seek injunctive and other equitable relief against Franchisee from any court of competent jurisdiction including without limitation of the provisions of Section 10 hereof; and Franchisor will not be obligated to mediate or arbitrate any claim arising from Franchisee's alleged infringement of the Intellectual Property, or other alleged misappropriation of Intellectual Property, but may pursue its remedies for copyright and/or trademark infringement by Franchisee in any court having jurisdiction over the matter and the parties.

(d) Jurisdiction. For any action that may be brought in court arising out of or relating to this Agreement, such action shall be commenced in any state or federal court of general jurisdiction in the jurisdiction that is closest to Franchisor's then-current headquarters or, if appropriate, the United States District Court for the Eastern District of Pennsylvania. Franchisee irrevocably submits to the jurisdiction of such court and waives any objection it may have to the jurisdiction or venue of such court.

(e) Attorneys' Fees/Costs. If (a) Franchisor revises any agreements or documents in connection with the Shop at Franchisee's request or (b) Franchisor institutes any action at law or in equity against Franchisee to secure or protect Franchisor's rights under or to enforce the terms of this Agreement, in addition to any judgment entered in its favor, Franchisor shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation and/or drafting such documents.

(f) Punitive Damages. In no event shall Franchisor be liable to Franchisee for punitive damages in any action arising out of or related to this Agreement or the Shop granted hereunder or any breach, termination, cancellation, or non-renewal thereof.

(g) Waiver of Jury Trial. Franchisor and Franchisee agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or at equity, brought by either of them, or in any action, proceeding or counterclaim whatsoever which arises out of or is connected in any way with this agreement or the operation of the Shop.

(h) Waiver of Class Actions. Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding or counterclaim, whether at law or in equity, brought by any party.

(i) Limitation of Claims. Any claim concerning the franchise or this Agreement or any related agreement brought by the franchisee will be barred unless an action for a claim is commenced within one (1) year from the date on which the Franchisee knew or should have known, in the exercise of reasonable diligence of the facts giving rise to the claim.

21. Indemnification. If Franchisor shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Shop premises, or by reason of an omission with respect to the business or operation of the Shop, Franchisee shall indemnify and hold Franchisor harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on Franchisor in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of Franchisor, Franchisee shall also defend Franchisor.

22. Counterparts; Construction and Severability. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The Section headings in the Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the other number and genders. If any part of this Agreement for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Agreement shall be stricken or declared invalid, Franchisor reserves the right to terminate this Agreement.

23. Scope and Modification of Agreement. This Agreement (including Exhibits and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon Franchisor unless in writing signed by an officer of Franchisor, and which is specifically identified as an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Agreement shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

24. Survival. Notwithstanding the termination or non-renewal of the Term in accordance with this Agreement, all terms, provisions and obligations of either party contained herein, which, in order to give them effect and accomplish their intent and purpose need to survive such termination, shall survive and continue until they have been fully satisfied or performed.

25. Anti-Terrorism. Franchisee covenants, represents and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations and warranties in making its decision to enter into this Agreement. Franchisee and its owners agree to comply with and/or to assist

Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee and its owners certify that none of them, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (which can be accessed at http://www.treasury.gov/offices/enforcement/ofac/legal/eo/13224.pdf). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex. Any misrepresentation under this Section 19.17 or any violation of the Anti- Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of Franchisor's affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

26. Acknowledgment. Franchisee acknowledges that:

(a) The term of this Agreement is set forth in Section 3 hereof with no promise or representation as to the renewal of this Agreement or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Agreement, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee’s attorney with respect thereto at least fourteen (14) calendar days prior to execution;

(c) No representation has been made by Franchisor as to the future profitability of the Shop;

(d) This Agreement supersedes any and all other agreements and representations respecting the Shop and contains all the terms, conditions, and obligations of the parties with respect to the grant described herein; however, nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(e) Franchisor or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by Franchisor;

(f) No future franchise or offers of franchises for additional Shops have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of Franchisor;

(g) Neither Franchisor nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Agreement, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(h) This Agreement is offered to Franchisee and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

FRANCHISEE

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Name of Entity: ________________________________

TSR FRANCHISE GROUP, LLC

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Exhibit A to Franchise Agreement

Franchise Description

Effective Date of Franchise Agreement: ___________________

Name of Franchisee entity: _________________________________

FEIN: _________________________________

Mailing Address: ____

Names of all Franchisee entity shareholders, owners, partners or members:

Name: _________________________________

Name: _________________________________

Name: _________________________________

Name: _________________________________

Name: _________________________________

Name: _________________________________

Shop Site: ____

Protected Territory: ____

Exhibit B to Franchise Agreement

Shop Selection Area if Shop Address Not Specified in Exhibit A

Shop Selection Area: ____

Exhibit C to Franchise Agreement

Owners' Guaranty

This Owners' Guaranty is made and executed by the undersigned as of the ____ day of _______, _____.

You, the undersigned (and each of you, if more than one) (hereinafter referred to as "you" or "Guarantor") have an interest in _________________, a ___________ limited liability company/corporation (hereinafter referred to as "Franchisee"). Franchisee is the franchisee under a franchise agreement dated ____________, _______ (the "Agreement") with TSR FRANCHISE GROUP, LLC, a Pennsylvania limited liability company (hereinafter referred to as "Franchisor"). This Owner's Guaranty is incorporated and made a part of the Agreement and will be attached thereto.

1. Acknowledgments. You acknowledge and agree that Franchisor has entered into the Agreement with Franchisee on the condition that each Owner be personally obligated and jointly and severally liable with Franchisee (and with each other Owner) for the performance of each and every obligation of Franchisee (and its Owners) under the Agreement, and amendments or modifications to the Agreement, any extensions or renewals of the Agreement that has been or hereafter may be entered into by Franchisee with Franchisor (all such agreements are collectively referred to as the "Franchise Agreements").

2. Guarantor's Covenants, Representations and Guaranty. In consideration of and as an inducement to the execution of the Agreement by Franchisor, you hereby personally, irrevocably and unconditionally:

(1) Represent and warrant to Franchisor Exhibit A to the Agreement is accurate and complete;

(2) Agree to guarantee the prompt payment and performance of all Obligations (as hereinafter defined) of Franchisee to Franchisor and its successors and assigns; and

(3) Agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and each and every provision of the Franchise Agreements, as if you were the Franchisee.

"Obligations" means the payment of all debts, liabilities and obligations of Franchisee to Franchisor arising under the Franchise Agreements, whether direct, indirect, absolute, contingent, matured or unmatured, extended or renewed, wherever and however incurred, together with all costs of collection, compromise and enforcement, including reasonable attorneys' fees, and the prompt performance of each and every covenant agreement and condition set forth in any of the Franchise Agreements.

3. Waivers by Guarantor. You hereby waive:

(a) Acceptance and notice of acceptance by Franchisor of the foregoing guaranty;

(b) Notice of demand for payment of any indebtedness or non-performance by Franchisee of any of the Obligations;

(c) Presentment or protest of any instrument and notice thereof; and notice of default or intent to accelerate with respect to the indebtedness or nonperformance of any of the Obligations;

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

(e) Any and all rights to payments, indemnities and claims for reimbursement or subrogation that you may have against Franchisee arising from your execution of and performance under this Guaranty;

(f) Any defense based on any irregularity or defect in the creation of any of the Obligations or modification of the terms and conditions of performance thereof;

(g) Any defense based on the failure of Franchisor or any other party to take, protect, perfect or preserve any right against and/or security granted by the Franchisee or any other party;

(h) Any and all other notices and equitable defenses to which you may be entitled; and/or

(i) The right to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Guaranty.

4. Further Agreements and Understandings. You hereby consent and agree that:

(a) Your direct and immediate liability under this Guaranty will be joint and several with Franchisee and each other Guarantor of Franchisee;

(b) The death or incapacity of any Guarantor will not modify, amend or terminate this Guaranty;

(c) If you should die, become incapacitated, become insolvent or make a general assignment for the benefit of creditors, or if a proceeding under the United States Bankruptcy Code or any similar law affecting the rights of creditors generally shall be filed or commenced by, against or in respect of you or any other Guarantor hereunder, any and all obligations of that Guarantor shall, at Franchisor’s option, immediately become due and payable without notice;

(d) If any payment or transfer to Franchisor that has been credited against any Obligation is voided or rescinded or required to be returned by Franchisor, whether or not in connection with any event or proceeding described in Section 4(c), this Guaranty will continue in effect or be reinstated as though such payment, transfer or recovery had not been made;

(e) You will render any payment or performance required under this Agreement or any other franchise agreement upon demand if Franchisee fails or refuses punctually to do so;

(f) Your liability hereunder will be construed as an absolute, unconditional, continuing and unlimited obligation without regard to the regularity, validity or enforceability of any of the Obligations, and without regard to whether any Obligation is limited, modified, voided, released or discharged in any proceeding under the United States Bankruptcy Code or any similar law affecting the rights of creditors generally;

(g) Your liability hereunder will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or any other person;

(h) This Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to the Agreement or any other Franchise Agreement and you waive notice of any and all such extensions, modifications or amendments;

(i) Your liability hereunder will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence, or any waiver that Franchisor may from time to time grant to Franchisee 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 Owners or guarantors), or the taking of any action by Franchisor that may have the effect of increasing your obligations, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement and so long as any performance is or may be owed under any of the Franchise Agreements by Franchisee or its Owners and so long as Franchisor may have cause of action against Franchisee or its Owners, subject to paragraph (k) below;

(j) Any and all present and future debts and obligations of Franchisee to you or any other Guarantors are hereby subordinated to the full payment and performance of the Obligations; and

(k) If you transfer, in compliance with the Agreement, any interest in the Agreement or Franchisee in an installment sale, your liability for the Obligations under the Agreement will terminate upon the later of (i) one year from the date of transfer or (ii) the date of payment of the final installment of any purchase money debt; provided that, after the first anniversary of such transfer, your liability will be limited to the original amount of the purchase money debt. If you transfer, in compliance with the Agreement, any interest in the Agreement or Franchisee for payment in cash, your liability for the Obligations under the Agreement will terminate one year from the date of the transfer, and your liability will be limited to the amount of accrued but unpaid Royalty fees due and payable under the Agreement during such period. Notwithstanding the foregoing, your liability hereunder for Obligations under the other Franchise Agreements will continue in full force and effect until Franchisee has fully paid and performed all obligations thereunder.

5. Choice of Law; Jurisdiction and Venue. This Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. You hereby irrevocably submit to the jurisdiction of the courts or record in the Commonwealth of Pennsylvania in Philadelphia, County and any appellate court thereof in any action or proceeding arising out of or relating to this Guaranty. You hereby irrevocably waive, to the fullest extent you may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right to jurisdiction on account of your place of

residence or domicile. You agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

6. Severability. If one or more provisions shall be invalid, illegal or unenforceable, in any respect under the laws of any jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

You now execute this Guaranty effective on the date shown above.

GUARANTORS

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

SPOUSES OF GUARANTORS

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

Signature: ______________________________ Printed Name: ____________________________

Exhibit D to Franchise Agreement

Non-Disclosure and Covenant Not-to-Compete Agreement

I, ___________________ agree that during my association with _____________________________ ("Franchisee") and TSR FRANCHISE GROUP, LLC and its affiliates (collectively referred to as "Franchisor") and for two (2) years immediately thereafter, I will not:

(a) Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of business or revenue of Franchisee, Franchisor, or any of Franchisor's franchisees.

(b) Within the Non-Compete Area (defined below), perform any services for, engage in or acquire, become an employee of, have any financial, beneficial, or equitable interest in, or have any interest whatsoever in any business which:

(i) prepares, offers, or sells, directly or indirectly (including through licensing or franchising) a shop offering a menu of donuts, fried chicken, and coffee; or

(ii) owns or operates a business operating as a shop offering a menu of donuts, fried chicken, and coffee.

(c) Perform or contribute to any other act injurious or prejudicial to the goodwill associated with Franchisor or its trademarks, trade names or other intellectual property.

In addition to the above, I agree to at all times during and after this Agreement, treat as confidential all manuals and materials designated for use with the System (including without limitation the Operations Manual), and such other information as Franchisor may designate from time to time for confidential use with the System (as well as all trade secrets and confidential information, knowledge and know-how concerning the operation of the Shop that may be imparted to, or acquired by, me from time to time in connection with my relationship with Franchisor), and shall use all reasonable efforts to keep such information confidential. I acknowledge that the unauthorized use or disclosure of such confidential information (and trade secrets, if any) will cause incalculable and irreparable injury to Franchisor. I accordingly agree that I shall not, at any time, without Franchisor's prior written consent, disclose, use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about Franchisor Standards and such other information or material as Franchisor may designate as confidential, shall be deemed confidential for purposes of this Agreement.

The "Non-Complete Area" means: (1) in Franchisee's Protected Territory and within ten (10) miles of the Shop Site and (2) within any other franchisee's exclusive area, any franchisee or other business which is franchised, owned, operated or managed by or under the direction or auspices of Franchisor or any of its affiliates which is within ten (10) miles of the Franchisee's Shop Site.

Because of my significant responsibilities and access to proprietary information of the Franchisee, I acknowledge that each of my obligations in this Agreement is reasonable and necessary to protect

Franchisor and its franchisees legitimate business interests. I understand that breaking any of my promises or obligations will irreparably and continually damage Franchisee, Franchisor, and Franchisor's franchisees for which money damages may not be adequate.

Consequently, if I violate any of my promises in this Agreement, or Franchisor and/or Franchisee has reason to believe that I am about to violate this Agreement, Franchisor and Franchisee will be entitled to both: (1) a preliminary or permanent injunction to prevent the continuing harm to Franchisor (and/or any of its franchisees) and/or Franchisee, and (2) money damages insofar as they can be determined. An injunction ordering me to stop any activities that may violate this Agreement will not prevent me from earning a living. I will pay Franchisor and/or Franchisee its costs and expenses resulting from any enforcement of this Agreement resulting from my violation of the terms hereof, including reasonable attorney fees.

Signature: ________________________________

Name: ________________________________

Title: ________________________________

AGREED AND ACKNOWLEDGED:

[FRANCHISEE]

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Exhibit E to Franchise Agreement

General Release

This General Release (“Release”) is made by the undersigned, _________________________ (hereinafter “Releasor”) for the benefit of TSR FRANCHISE GROUP, LLC, a Pennsylvania limited liability company, (hereinafter “Franchisor”), on this__ day of _____________, 20___.

RECITALS

WHEREAS, Releasor desires to execute a franchise agreement (hereinafter, the “Franchise Agreement”) for a FEDERAL DONUTS & CHICKEN franchise to be located at ___________________________;

WHEREAS, in consideration for the execution of the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Releasor has agreed to execute a general release of Franchisor;

NOW, THEREFORE, Releasor hereby covenants and promises as follows:

(a) Releasor hereby absolutely and forever releases and discharges Franchisor from any and all claims, demands, damages, debts, liabilities, accounts, costs, expenses, liens, losses, charges, actions, suits, proceedings and causes of action of every kind and nature whatsoever (hereinafter "Released Matters"), whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship between Releasor and Franchisor.

(b) Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor's attorneys, officers, directors, employees, agents, heirs, estate executors, administrators, successors, affiliates, associates and assigns, and their respective insurers and underwriters. If more than one party shall execute this Release, the term "Releasor" shall mean all parties executing this General Release, and all parties shall be bound by its terms.

(c) Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of any and all of Franchisor’s attorneys, officers, directors, employees, agents, authorized representatives, estate, legal representatives, successors, affiliates, associates and assigns, and its and their respective insurers and underwriters.

(d) Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made with respect to this General Release, other than those set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranty, agreement or covenant not set forth herein.

(e) This General Release and all acts and transactions under it shall in all respects be interpreted, enforced and governed by the internal laws of the Commonwealth of Pennsylvania.

(f) Releasor hereby certifies that he has read all of this General Release and fully understands all of the same and that he has executed this General Release only after having received full legal advice and disclosure as to his rights from legal counsel of his choice.

IN WITNESS WHEREOF, the party hereto has executed this General Release effective as of the date first set forth above.

RELEASOR

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Date: ________________________________

FRANCHISOR

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Date: ________________________________

Exhibit F to Franchise Agreement

Electronic Funds Transfer (EFT) Authorization

Franchisee Information:

Franchisee Name	*Shop #*

Franchisee Mailing Address (street) | Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different than above)

Bank Account Information:

Bank Name	Bank Account No.
Bank Mailing Address (street)	Bank Routing No.
Bank Mailing Address (city, state, zip)	Bank Phone No.

Payee Information:

TSR FRANCHISE GROUP, LLC

Authorization:

The Franchisee hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on the Tuesday of each week. Franchisor reserves the right to change the timing of the payments. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payee has received written notification from the Franchisee in such time and manner as to afford the Payee and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payee.

Signature: Date:

INDEMNIFICATION OF BANK

In consideration of the Bank's compliance with the foregoing request and authorization, the Payee agrees with respect to any action by the Bank in compliance with the foregoing request and authorization to indemnify the Bank and hold the Bank harmless for, from and against any loss the Bank may suffer as a consequence of the Bank's actions from or in connection with the execution and issuance of any electronic fund transfer or draft, whether or not genuine, purporting to be executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, except to the extent such loss caused by the negligence or willful misconduct of the Bank.

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

Exhibit G to Franchise Agreement

Collateral Assignment of Lease

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is made, entered into and effective on this ___day of _________, 20____ Effective Date,") by and between: (i) TSR FRANCHISE GROUP, LLC (the "**Franchisor**"), a Pennsylvania limited liability company with a business address at 22 Wolf Street, Philadelphia, PA 19148; and (ii) , _________________________ a (resident of) (corporation organized in) (limited liability company organized in) ________________________ with a business address at ________________________________ (the "**Franchisee**").

BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the "**Franchise Agreement**") dated for a Federal Donuts & Chicken franchised business (the "**Franchised Business**") located at ________________________________ (the "**Site**"). In addition, pursuant to that certain Lease Agreement (the "**Lease**"), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from ___________________ (the "**Lessor**"). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

1. **Background Information**: The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.

2. **Incorporation of Terms**: Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.

3. **Indemnification of Franchisor**: Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee's breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

4. **Conditional Assignment**: Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee's rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee's breach of the Lease, then such payment by the Franchisor, or such breach or default by the

Franchisee, shall at Franchisor's option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination**: Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies**: In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;

c) to exclude the Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney**: Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies**: It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements**: This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control**. This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability**. If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the Effective Date.

FRANCHISEE

By:________________________________
Name: ______________________________
Title: ________________________________

FRANCHISOR
TSR FRANCHISE GROUP, LLC

By: ____________________________________
Name: ______________________________
Title: _________________________________

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

LESSOR

By: _______________________________
Name: ______________________________
Title: _________________________________

<u>Exhibit C</u>

Development Agreement

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into on ____________ (the "Effective Date"), between: (i) TSR Franchise, LLC, a Pennsylvania limited liability company, with its principal business address at 22 Wolf Street, Philadelphia, PA 19148 (the "Franchisor"); and (ii) ______________, a _______________ with an address at ___________________ (the "Developer").

Background

A. Franchisor and its affiliates/principals own and have developed a proprietary system for the operation of a franchise business that operates as a donut, fried chicken, and coffee shop offering a rotating menu of donut flavors, including classic favors and flavors, along with twice-fried, super crispy chicken sandwiches and also chicken dishes with accompanying dipping sauces and dry seasonings (each, a "Shop").

B. As a result of the expenditure of time, effort, and money, Franchisor and its affiliates have developed a comprehensive system for the operation of a Shop (the "System").

C. Franchisor identifies the System by means of various trademarks and design marks, including the "FEDERAL DONUTS" and "FEDERAL DONUTS & CHICKEN" trademark and design mark, and our trade dress, as well any other trademarks, trade names, logos, emblems, and indicia of origin Franchisor may now or in the future designate in connection with the system (the "Marks").

D. Franchisor grants qualified third parties the right to develop multiple Shops within a defined geographical area (the "Development Area") in accordance with a mandatory development schedule that must be strictly adhered to, with each Shop within the Development Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current franchise agreement (each, a "Franchise Agreement").

E. Developer has applied for the right to open and operate a certain number of Shops within a Development Area set forth in this Agreement below, and Franchisor has approved such application in reliance on Developer's representations made therein.

F. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications are essential to the operation of all Shops and our System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Agreement

1. **Development Area.** Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _________ Shops within the Development Area described in the data sheet attached hereto as Exhibit A (the "Data Sheet"), provided Developer opens and commences operations of such Shops in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule"). Franchisor

will not own or operate, or license a third party the right to own or operate, a Shop utilizing the Marks and System within the Development Area without providing Developer with a right of first refusal to open an additional Shop until the earlier of: (i) the date Franchisor defines the Protected Territory of the final Shop Developer was granted the right to operate under this Agreement; or (ii) the expiration or termination of this Agreement for any reason.

2. **Development Fee.** The Development Fee is calculated based on the number of Shops that Developer is granted the right to open and is $50,000 for each Shop. Developer agrees to pay Franchisor the development fee set forth in the Data Sheet in accordance with the following schedule: (a) $50,000 for the Initial Franchise Fee for the first Shop, plus 50% of the Initial Franchise Fee for each additional Shop upon execution of this Agreement; and (b) the remaining 50% of each Initial Franchise Fee at the time each Franchise Agreement is executed for such Shop. The parties agree and acknowledge that, upon payment of the portion of the Development Fee on the date this Agreement is executed: (i) Developer will not be required to pay Franchisor an additional "Initial Franchise Fee" pursuant to any Franchise Agreement that Developer enters into to fulfill its development obligations under this Agreement within the Development Area; and (ii) the Development Fee will be deemed fully earned by Franchisor and not refundable under any circumstances.

3. **Initial Franchise Agreement**. Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the first Shop that Developer is required to open within the Development Area.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional Shop that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the required number of new Shops during each 12-month period from the Effective Date of this Agreement set forth in the Development Schedule described in the Data Sheet (each, a "Development Period"); and (ii) has the minimum cumulative number of Shops open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule is grounds for immediate termination of this Agreement (and any future development rights granted hereunder).

6. **Term and Termination.**

6.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will end on the last day of the calendar month that the final Shop is required to be opened and operating under the Development Schedule. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the rights granted in connection with any Shops that Developer has opened and commenced operating as of the date this Agreement is terminated or expires.

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Shops within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Franchisee, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit or creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any one Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. **Reservation of Rights.** The parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein, including the right to open and operate, or license third parties the right to open and operate, Shops at any location within or outside the Development Area; provided, however, that Franchisor will not open or operate, or license a third party the right to open or operate, any Shop (franchised or otherwise) within any "Protected Territory" that is granted to Developer under each Franchise Agreement that Developer enters into pursuant to this Agreement during the term of that Franchise Agreement.

8. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. **Acknowledgment**. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Marks or System.

10. **Notices**. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. **Choice of Law.** This Agreement will be governed by the laws of the Commonwealth of Pennsylvania (without reference to its conflict of laws principals).

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure and alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Mediation**. At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute

resolution procedure sent forth in Section 12 above, must be submitted first to mediation, in Philadelphia, Pennsylvania under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation.

14. **Arbitration**. If mediation is not successful then prior to the institution of litigation and after mediation, the parties agree to submit to binding arbitration in Philadelphia County, Pennsylvania before a single, independent arbitrator, using the facilities and commercial arbitration rules of the American Arbitration Association ("AAA"). Franchisor and Franchisee waive the application of all rules of discovery and evidence. The arbitrator must be either a retired judge or an attorney with a minimum of 10 years' experience in the practice of franchise law who agrees to follow and apply the express provisions of this Agreement in determining his or her award. The parties will jointly share the costs of the arbitrators' fees and the fees payable to the AAA, but each party shall bear its own legal fees and other legal expenses. The award of the arbitrator will be final and binding except to the extent an arbitration award is appealable under the Federal Arbitration Act and may be enforced in any court of competent jurisdiction. The provisions of the Federal Arbitration Act will govern arbitration under this Section 14 except to the extent it is inconsistent with any provision of this Agreement including this Section 14. Notwithstanding the above: (i) Franchisor will have the right, at its option, to seek injunctive and other equitable relief against Franchisee from any court of competent jurisdiction including without limitation of the provisions of Section 9 of the Franchise Agreement; and Franchisor will not be obligated to arbitrate any claim arising from Franchisee's alleged infringement of the Intellectual Property, or other alleged misappropriation of Intellectual Property, but may pursue its remedies for copyright and/or trademark infringement by Franchisee in any court having jurisdiction over the matter and the parties.

15. **Injunctive Relief.** Nothing contained in this Agreement herein will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation proceeding conducted hereunder.

16. **Jurisdiction and Venue.** This Agreement is made in, and shall be substantially performed in, the Commonwealth of Pennsylvania. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the Commonwealth of Pennsylvania. Developer, except where specifically prohibited by law, hereby irrevocably submit itself to the sole and exclusive jurisdiction of the state and federal courts serving Philadelphia County, Pennsylvania. Developer hereby waives all questions of personal jurisdiction for the purpose of carrying out this provision.

17. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

18. **Jury Trial Waiver.** With respect to any proceeding not subject to mediation, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Developer's purchase from Franchisor of the development rights described herein.

19. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

21. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. **Successors**. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

25. **Additional Documentation.** You must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. **Entire Agreement**. This Agreement contains the entire agreement between the parties concerning Developers' development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

DEVELOPER

Signature: ________________________________

Name: ________________________________

Title: ________________________________

Name of Entity: ________________________________

TSR FRANCHISE GROUP, LLC

Signature: ________________________________

Name: ________________________________

Title: ________________________________

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following areas:

   ____
   ____

2. **Development Fee.** Immediately upon execution of this Agreement, Developer must pay Franchisor the Development Fee amounting to $ [INSERT DEVELOPMENT FEE], which will be deemed fully earned and non-refundable upon execution of the Development Agreement.

3. **Development Schedule.** The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Development Period	Expiration Date	Number of New Shops Developer Must Open in Development Area	Cumulative Number of Shops Developer Must Have Open Within Development Area
First	___ Months from Effective Date	1	1
Second	___ Months from Effective Date	1	2
Third	___ Months from Effective Date	1	3
Fourth	___ Months from Effective Date	1	4
Fifth	___ Months from Effective Date	1	5

APPROVED AND AGREED TO BY:

FRANCHISOR

TSR FRANCHISE GROUP, LLC

Signature: ________________________________

Name: ________________________________

Title: ________________________________

DEVELOPER

[INSERT NAME]

By: ____________________________________

Name: ____________________________________

Title: ____________________________________

Exhibit D

Operations Manual Table of Contents

Federal Donuts & Chicken Franchise Operations Manual

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SECTION A: INTRODUCTION

SECTION B: PRE-OPENING PROCEDURES

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SECTION C: HUMAN RESOURCES

SECTION D: DAILY OPERATING PROCEDURES

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Exhibit E

Financial Statements

TSR FRANCHISE GROUP, LLC

FINANCIAL STATEMENTS

**PERIOD FROM JANUARY 4, 2023 (INCEPTION DATE)
TO DECEMBER 31, 2023 AND YEAR ENDED
DECEMBER 31, 2024**

TSR FRANCHISE GROUP, LLC
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PERIOD FROM JANUARY 4, 2023 (INCEPTION DATE)
TO DECEMBER 31, 2023 AND YEAR ENDED DECEMBER 31, 2024

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Member
TSR Franchise Group, LLC
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TSR Franchise Group, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in member's equity, and cash flows for the year ended December 31, 2024 and period from January 4, 2023 (Inception Date) to December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the year ended December 31, 2024 and period from January 4, 2023 to December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
March 28, 2025

TSR FRANCHISE GROUP, LLC
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 268,477	$ 171,185
Accounts Receivable	23,218	-
Deferred Franchise Costs - Current	1,980	-
Total Current Assets	293,675	171,185
OTHER ASSETS		
Deferred Franchise Costs	17,820	-
Total Assets	$ 311,495	$ 171,185
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 19,126	$ -
Deferred Revenues	255,000	150,000
Total Liabilities	274,126	150,000
MEMBER'S EQUITY	37,369	21,185
Total Liabilities and Member's Equity	$ 311,495	$ 171,185

See accompanying Notes to Financial Statements.

TSR FRANCHISE GROUP, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2024 AND PERIOD FROM
JANUARY 4, 2023 (INCEPTION DATE) TO DECEMBER 31, 2023

	2024	2023
REVENUES		
Franchise Fees	$ 70,000	$ -
Royalty Fees	254,451	-
Other Income	17,543	-
Total Revenues	341,994	-
OPERATING EXPENSES		
Advertising and Promotion	34,401	-
Bank and Service Charges	512	199
Computer Software	17,966	-
Professional Services	46,007	78,616
Total Operating Expenses	98,886	78,815
NET INCOME (LOSS)	243,108	(78,815)
Member's Equity - Beginning of Period	21,185	-
Member Contributions	-	100,000
Distributions	(226,924)	-
MEMBER'S EQUITY - END OF PERIOD	$ 37,369	$ 21,185

See accompanying Notes to Financial Statements.

TSR FRANCHISE GROUP, LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024 AND PERIOD FROM JANUARY 4, 2023 (INCEPTION DATE) TO DECEMBER 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 243,108	$ (78,815)
Changes in Assets and Liabilities:		
Accounts Receivable	(23,218)	-
Deferred Franchise Costs	(19,800)	-
Accounts Payable and Accrued Expenses	19,126	-
Deferred Revenues	105,000	150,000
Net Cash Provided by Operating Activities	324,216	71,185
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Contributions	-	100,000
Distributions	(226,924)	-
Net Cash Provided (Used) by Financing Activities	(226,924)	100,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,292	171,185
Cash and Cash Equivalents - Beginning of Period	171,185	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 268,477	$ 171,185

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

TSR Franchise Group, LLC (the Company), a wholly owned subsidiary of TSRFD, LLC (the Parent), operates a franchising business under the name of Federal Donuts. The Company was incorporated in the state of Pennsylvania on January 4, 2023, and sells franchises in the United States of America.

The total number of new franchises opened during 2024 and 2023 were 3 and zero, respectively. Additionally, there were 4 locations that were added in 2024, as part of an agreement between the Parent company and a third-party. The Company has 7 franchise locations plus a mobile kitchen as of December 31, 2024.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the ASC hereafter refer to the *Accounting Standards Codification* established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

The Limited Liability Company Agreement

The following presents a summary of significant financial terms of the Company's Limited Liability Company Agreement (the Agreement), effective January 4, 2023. The Agreement should be referred to for more specific terms.

Under the terms of the Agreement, income, deductions, and distributions are allocated to the sole member in accordance with the terms of the Agreement. The timing and amount of distributions are determined by the member and subject to applicable laws and any limitations contained elsewhere in the Agreement. No member shall be personally liable for any debt, obligation, or liability of the Company.

One or more new members may be admitted to the Company with the written consent of the existing member. The Company shall dissolve upon the written consent of the member or any other event or circumstance giving rise to dissolution in accordance with applicable laws or limitations contained in the Agreement.

The Company shall be perpetual unless the Company is dissolved and terminated in accordance with the terms of the Agreement.

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand in banks and all highly liquid debt instruments purchased with original maturities of three months or less.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of royalty fees and are stated at their estimated collectible amounts. An allowance for credit losses is established to present the net amount of accounts receivable expected to be collected and is based on historical experience, current economic conditions, and certain forward-looking information. Management determined that the allowance for credit losses was insignificant as of December 31, 2024 and 2023, and there was no material activity related to the allowance for credit losses for the years ended December 31, 2024 and 2023.

Revenue Recognition from Contracts with Customers

The Company's revenue includes initial franchise fees, royalties, and other income. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

Upon opening of the first franchise location during the current year, the Company adopted FASB issued Accounting Standards Update (ASU) 2021-02 *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*. ASU 2021-02 provides a practical expedient for franchisors to account for certain pre-opening services as distinct from the franchise license when identifying performance obligations under ASC 606. The Company has elected to treat the pre-opening services as a single performance obligation. The adoption did not have an impact on opening balances.

The initial franchise fee is $50,000 for a new franchise. For any stores opened within casino locations owned by the agreed-upon Developer, the initial franchise fee is discounted to $25,000. The initial franchise fee is uniform for all franchisees, except that in 2023, franchisees paid between $25,000 and $30,000 for a single shop.

Under franchise agreements, the Company provides franchisees with (i) a franchise license, which includes a license to use intellectual property and advertising and promotion management, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials. The services provided under the franchise agreements are extensive.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Initial Franchise Fees – Upon execution of a franchise agreement, the franchisee is required to pay a franchise fee to the Company. In connection with the franchise fee, the Company provides services and support to the franchisee for its pre-opening activities, such as site selection and training. These pre-opening services provided by the Company are a single performance obligation and the franchise fee is recognized upon satisfaction and completion of the pre-opening services by the Company. Generally pre-opening services are complete upon the opening of the franchisee's location. If the pre-opening services are not complete or are in process, the Company records the franchise fee received as a contract liability.

Royalties – Royalties are calculated as a percentage of franchise sales over the term of the franchise agreement and recognized as franchisees' sales occur and collectability of the fees is reasonably assured.

Deferred Franchise Costs

Deferred franchise costs represent commissions paid that are direct costs incurred in conjunction with the sales of a franchise. These costs are amortized on a straight-line basis over the term of the franchise agreement.

Deferred Revenue

Deferred revenue represents franchise fees received from franchisees that have signed franchise agreements but have not yet opened their location.

Advertising and Promotion

Advertising and promotion costs are charged to expense as they are incurred. For the years ended December 31, 2024 and 2023, advertising and promotion costs totaled $34,401 and $-0-, respectively, and are included in operating expenses on the accompanying statements of operations.

Income Taxes

The Company operates as a single member limited liability company and elected to be treated as a disregarded entity for federal and state income taxes. Instead, its earnings and losses are included in the sole member's income tax returns. There are certain minimum state taxes and fees incurred at the Company level. For the years ended December 31, 2024 and 2023, the Company has not incurred any income taxes and fees.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 31, 2024 and 2023.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, accrual results differ from estimated amounts.

Subsequent Events

The Company has evaluated subsequent events for potential recognition or disclosure through March 28, 2025, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains its cash account in one financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation up to $250,000. At various times throughout the year, the Company may have cash balances in excess of the FDIC insured limit.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenues

The Company believes that the captions contained in the statements of operations appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2024 and 2023.

Contract Assets and Liabilities

The following are trade receivables and contract liabilities as of December 31, 2024 and 2023:

	2024	2023
Accounts Receivable	$ 23,218	$ -
Less: Allowance for Credit Losses	-	-
Accounts Receivable, Net	$ 23,218	$ -
Contract Liability:		
Deferred Revenue	$ 255,000	$ 150,000

NOTE 4 MEMBER'S EQUITY

During 2023, the sole member contributed $100,000 to the Company in exchange for issuance of 100% of the Company's membership interest. The membership interest in the Company owned by the Parent is the only class of membership interest issued and outstanding as of December 31, 2024 and 2023.

Exhibit F

State Specific Addenda

STATE SPECIFIC ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The following are additional disclosures for the Franchise Disclosure Document of TSR Franchise Group, LLC required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

Item 5. Due to the Franchisor's financial condition, the Illinois Attorney General's Office has imposed a fee deferral requirement. Therefore, Franchisor will not collect initial franchise fees and development fees, if applicable, until you have commenced business operations.

The following language is added to the end of Item 17:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Investment Act of 1987 are met independently without reference to this Addendum to the Disclosure Document.

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois 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 in a venue outside of Illinois.

Your rights upon termination of your franchise must comply with Section 19 of the Illinois Franchise Disclosure Act.

Your rights upon nonrenewal of your franchise must comply with Section 20 of the Illinois Franchise Disclosure Act.

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

In conformance with the *NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements*, adopted September 18, 2022 and effective January 1, 2023:

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

STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

The following are additional disclosures for the Franchise Disclosure Document of TSR Franchise Group, LLC required by the State of Maryland. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

MARYLAND

Item 17 of the Disclosure Document is further amended to add the following:

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Disclosure Document is amended to add the following:

Any litigation between you and us may be filed in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq*.).

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.

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

STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

The following are additional disclosures for the Franchise Disclosure Document of TSR Franchise Group, LLC required by the State of New York. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE DEVELOPER OR FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

None of the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the 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 that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The Franchise Fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), entitled Termination by franchisee:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), entitled Assignment of contract by franchisor:

However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Development Agreement or Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), entitled Choice of forum, and Item 17(w), entitled Choice of law:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

The following are additional disclosures for the Franchise Disclosure Document of TSR Franchise Group, LLC required by the State of Virginia. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

1. The following risk factor shall be added to the cover page:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $578,000 to $727,500. This amount exceeds the franchisor's stockholders' equity as of December 31, 2024, which is $37,369.

2. The following language is added to the end of the "Summary" section of Item 17.h., entitled "Cause" defined – non-curable defaults:

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 Development Agreement or Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

The Franchise Agreement to which this addendum is attached, which may have been entered into by and between the below-undersigned parties' incident to the execution of the Franchise Agreement (collectively referred to as the "Franchise Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Termination and nonrenewal of your Franchise Agreement must comply with Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.

3. Any provision in the Franchise Agreement and Related Franchise Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

4. The representations in Section 19 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Illinois Franchise Disclosure Act.

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement, Related Franchise Agreements, or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement and Related Franchise Agreements in all other respects.

In conformance with the *NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements*, adopted September 18, 2022 and effective January 1, 2023:

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

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR: **TSR FRANCHISE GROUP, LLC**	FRANCHISEE**:**
By:________________________________ Its:____	By:____ Its:__
Date:______________________________	Date:____

ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT

The Development Agreement to which this addendum is attached, which may have been entered into by and between the below-undersigned parties' incident to the execution of the Development Agreement (collectively referred to as the "Development Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Termination and nonrenewal of your Development Agreement must comply with Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.

3. Any provision in the Development Agreement and Related Development Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

4. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Development Agreement, Related Development Agreements, or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Development Agreement and Related Development Agreements in all other respects.

In conformance with the *NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements*, adopted September 18, 2022 and effective January 1, 2023:

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

The parties are signing this addendum concurrently with the Development Agreement to which it is attached.

FRANCHISOR:
TSR FRANCHISE GROUP, LLC

By:_______________________________
Its:____

Date:______________________________

FRANCHISEE:

By:____
Its:___

Date:____

STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE FRANCHISE AGREEMENT REQUIRED FOR MARYLAND FRANCHISEES

This Addendum to Franchise Agreement ("Franchise Agreement") by and between **TSR Franchise Group, LLC**, a Pennsylvania limited liability company with its principal place of business at [Address] (**"Franchisor"**), and ________________ (**"Franchisee"**) with its principal place of business as _________________, is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Shop will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Section 1(c):
Representations in the Franchise Agreement are not intended to, nor shall they act as a release, estoppels, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added to Sections 11(c)(vii) and 12(iv):
The general release required as a condition of renewal or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 15(b)(xii):
Notwithstanding the above, the provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. The following sentence is added to the end of Section 20(c):
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 sentence is added to end of Section 20.
Notwithstanding the foregoing, the parties agree that only with respect to claims arising under the Maryland Franchise Registration and Disclosure Law, Franchisee may bring such claims in any federal or state court in the state of Maryland.

7. The following subsection of Section 25 is deleted in its entirety: 25(b).

8. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i)

waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

11. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE

Signature:_________________________________

Name: __________________________________

Title: ___________________________________

Name of Entity: ___________________________

FRANCHISOR
TSR FRANCHISE GROUP, LLC

Signature: _________________________________

Name: _________________________________

Title: _________________________________

<u>Exhibit G</u>

List of Open Franchisees

As of December 31, 2024

Nevada			
NP Red Rock LLC	11011 W. Charleston Blvd. Las Vegas, NV 89135	702-862-3154	1
Pennsylvania			
FedNuts South 12th Street, LLC	21 S. 12th Street Philadelphia, PA 19107	215-646-7700	1
FedNuts 1909 Sansom Street, LLC	1909 Sansom Street Philadelphia, PA 19107	215-646-7700	1
FedNuts 1776 Ben Franklin Parkway, LLC	1776 Ben Franklin Parkway Philadelphia, PA 19103	215-646-7700	1
FedNuts 701 N. 7th Street, LLC	701 N. 7th Street Philadelphia, PA 19123	215-646-7700	1
FedNuts Horsham, LLC	4021 Welsh Rd. Willow Grove, PA 19090	215-646-7700	1
FedNuts Radnor, LLC	200 N. Radnor Chester Rd. Wayne, PA 19087	215-646-7700	1

List of Franchisees Who Have Signed but Not Yet Opened

As of December 31, 2024

Franchisee	Address	Phone Number	Number of Shops
FedNuts Conshohocken, LLC	404 Pennsylvania Avenue, Fort Washington, PA 19034	215-646-7700	1
Mark Heinz and Deborah Deborah Grady DGMH Holdings LLC	532 Old Marlton Pike W. , Marlton, NJ 08053		1

List of Former Franchisees

As of December 31, 2024

None.

<u>Exhibit H</u>

Franchisee Compliance Questionnaire

As you know, TSR Franchise Group LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement for the right to open and operate one (1) FEDERAL DONUTS & CHICKEN franchise (a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of 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 but you must sign and date it the same day you sign the Franchise Agreement, and pay us the appropriate franchise or development 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, please explain your answer on the back of this sheet.

Yes____ No ____ 1. Have you received the Franchise Agreement, as well as each exhibit or schedule attached to the agreement that you intend to enter into with us?

Yes____ No ____ 2. Have you received the Franchise Disclosure Document we provided?

Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes____ No ____ 4. Do you understand the success or failure of your Franchised Business(es) will depend on a variety of factors, including your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your premises competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

Yes____ No ____ 5. Has any no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 6. Has any broker, 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 Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 7. Has any broker, employee or other person speaking on our behalf made any statement or promise or agreement, 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 Disclosure Document?

Yes____ No ____ 8. Has any broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

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

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US. 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: _______________, 20_______	Dated: _______________, 20_______
________________________________	________________________________
Signature of Franchise Applicant	Signature of Franchise Applicant
________________________________	________________________________
Name (please print)	Name (please print)
Dated: _______________, 20_______	Dated: _______________, 20_______

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Pending
Indiana	Not Registered
Maryland	Pending
Michigan	Not Registered
Minnesota	Not Registered
New York	Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit I
Receipt - YOUR COPY

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If TSR Franchise Group LLC offers you a franchise it must provide this Disclosure Document to you within 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 agreements or payment of any consideration that relates 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 TSR Franchise Group 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 administrator identified in **Exhibit A** of this Franchise Disclosure Document. A list of our agents registered to receive service of process is listed as **Exhibit A** to this Franchise Disclosure Document.

I received a Disclosure Document with an issuance date of April 9, 2025, that included the following Exhibits:

A. List of State Administrators and Agents for Service of Process	F. State Specific Addenda
B. Franchise Agreement	G. List of Franchisees and List of Former Franchisees
C. Development Agreement	H. Franchisee Compliance Questionnaire
D. Operations Manual Table of Contents	I. Receipt
E. Financial Statements	

The franchise sellers are:

- Steven Cook, 22 Wolf Street, Philadelphia, PA 19148, 267-634-9988
- Jeff Benjamin, 22 Wolf Street, Philadelphia, PA 19148, 267-634-9988
- Eric Lavinder, 22 Wolf Street, Philadelphia, PA 19148, 267-634-9988

If an individual:

By: ___________________________________
Name: _________________________________
Address:________________________________
Date: __________________________________

If a Partnership, Corporation or LLC:

Name: _____________________________________
Title: ______________________________________
Name of Entity: ______________________________
Address: ____________________________________
Telephone Number: ___________________________
Date: ______________________________________

Receipt - OUR COPY

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If TSR Franchise Group LLC offers you a franchise it must provide this Disclosure Document to you within 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.

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G. List of Franchisees and List of Former Franchisees
H. Franchisee Compliance Questionnaire
I. Receipt

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- Eric Lavinder, 22 Wolf Street, Philadelphia, PA 19148, 267-634-9988

If an individual:

By: ___________________________________
Name: ________________________________
Address:_______________________________
Date: _________________________________

If a Partnership, Corporation or LLC:

Name: _____________________________________
Title: ______________________________________
Name of Entity: _____________________________
Address: ____________________________________
Telephone Number: __________________________
Date: ______________________________________

Mail signed and dated Receipt to: TSR Franchise Group LLC, 22 Wolf Street, Philadelphia, PA 19148 or email to franchising@federaldonuts.com.