FRANCHISE DISCLOSURE DOCUMENT

Sweet Assets Franchise Group, Inc , a Delaware corporation
630 C Street, Suite 245
San Diego, California 92101
Telephone (714) 425-9277
Email info@donutbar com
Website www donutbar com

THE DONUT BAR

The franchisee will operate a gourmet donut shop under the name Donut Bar featuring a variety of gourmet donuts, coffee, craft beer and wine and other items The total initial investment necessary to begin operations ranges from $308,700 to $699,000 if you sign a Franchise Agreement for a single unit This includes $35,000 that must be paid to the franchisor or an affiliate The total initial investment necessary to begin operations ranges from $336,700 to $811,000 if you sign an Area Development Agreement This includes a development fee of $35,000 for the first location plus $14,000 for each additional location on the development schedule

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

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, contact Scott Jewett at 630 C Street, Suite 245, San Diego, California 92101, telephone (714) 425-9277

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

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

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

Issuance Date July 25, 2017

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION IN THE STATE IN WHICH OUR HEADQUARTERS IS LOCATED, CURRENTLY, CALIFORNIA OUT OF STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO MEDIATE OR ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THE PRIMARY TRADEMARK THAT YOU WILL USE IN YOUR BUSINESS IS NOT FEDERALLY REGISTERED ON THE PRINCIPAL REGISTER IF THE FRANCHISOR'S RIGHT TO USE THIS TRADEMARK IN YOUR AREA IS CHALLENGED, YOU MAY HAVE TO IDENTIFY YOUR BUSINESS AND ITS PRODUCTS OR SERVICES WITH A NAME THAT DIFFERS FROM THAT USED BY OTHER FRANCHISEES OR THE FRANCHISOR THIS CHANGE CAN BE EXPENSIVE AND MAY REDUCE BRAND RECOGNITION OF THE PRODUCTS OR SERVICES YOU OFFER

4 YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE BUSINESS THIS GUARANTEE WILL PLACE BOTH YOUR

AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Effective Date See the next page for state effective dates

STATE EFFECTIVE DATES

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

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

California Pending

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Exhibits

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT THE ADDITIONAL DISCLOSURES TO THE FRANCHISE DISCLOSURE DOCUMENT APPEAR IN THE STATE SPECIFIC ADDENDA AT EXHIBIT F THE STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN EXHIBIT D, AND THE STATE SPECIFIC ADDENDA TO THE AREA DEVELOPMENT AGREEMENT, IF ANY, APPEAR IN EXHIBIT E

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, "Donut Bar," "we" or "us" mean the franchisor – Sweet Assets Franchise Group, Inc , a Delaware corporation "You" means the person who buys the franchise If the franchisee is a corporation, partnership, limited liability company or other entity, "you" may also refer to its owners Donut Bar was formed on November 3, 2016 Our principal business address is 630 C Street, Suite 245, San Diego, California 92101, telephone (714) 425-9277

We do not have any predecessors or parents or affiliates that offer franchises or provide products or services to our franchisees

Our agents for service of process are disclosed in Exhibit B

We do not operate Donut Bar shops ourselves, but we may do so in the future Our affiliate, Sweet Assets, Inc , a California corporation, has operated Donut Bar shops in San Diego, California since 2013 and Las Vegas, Nevada since 2016

We are in the business of franchising the right to operate gourmet donut shops under the name "The Donut Bar" featuring a variety of gourmet donuts, coffee, craft beer and wine and other items Donut Bar shops offer over 20 different and changing donut flavors each day These unique and innovative flavors include s'mores on fire, caramel latte, maple bourbon, creme brulee and French toast Our affiliate's Donut Bar shop in San Diego offers local and other craft beers with donut pairings on several evenings during the week and we may require you to do so as well in your Donut Bar shop

If you qualify, we may allow you to sign an Area Development Agreement for the development of up to five Donut Bar shops In addition to the Area Development Agreement, you must sign our then-current form of Franchise Agreement for each Donut Bar shop in your territory We will charge you the initial franchise fee described in Item 5 of this Disclosure Document for each Donut Bar shop location even if we change the initial franchise fee for other franchisees We will also charge you the royalty rate described in Item 6 for each of your Donut Bar shops that you open under the Area Development Agreement even if we change that rate for other franchisees

We may permit you to conduct the following catering activities, online ordering, deliveries and offsite sales at special events including pop-up events We reserve the right to negotiate regional or national accounts with individuals or companies If we do so, you must accept the terms of any regional or national account agreements that we negotiate

If you are signing a Franchise Agreement for a non-traditional agreement such as an airport, train station, hotels, enclosed shopping center, (including an open air shopping center), convention center, arena, stadium, casino, college campus, amusement park, theme park, museum or similar venue, we may vary the terms of the Franchise Agreement

The general market for the goods and services offered by your Donut Bar shop is the general public and is well developed and competitive Your competitors include other donut, pastry or dessert shops and other restaurants, shops, and bars serving a wide variety of pastries, desserts and beer and wine

In addition to laws and regulations that apply to businesses generally, you may be subject to regulations relating to the operation of an eating and drinking establishment in your state, city or county, including those governing construction, site location, the sale of food and alcoholic beverages and menu-labeling, as well as public health and safety codes and ordinances These include regulations concerning smoking, sanitation, discrimination, employment and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations It is your responsibility to comply with these laws and to obtain approval for an on-premises beer and wine license for your Donut Bar shop before you open for business You may also have to obtain an on-premise liquor license for liquor that is used in some menu items You are responsible for checking with your state and local authorities whether you will need a liquor license Some states have quotas on the number of liquor licenses they issue In these states you may have to acquire a liquor license from a third party at a significant cost You may experience delays in obtaining these licenses Therefore, you should apply for these licenses as soon as you are approved as a franchisee You should consult with your own independent advisors and the government agencies in your state for information on how these laws apply to you Among the laws and regulations that apply to businesses generally, you must comply with the Patient Protection and Affordable Care Act, 42 USC 18001

We began offering franchises as of the date this Disclosure Document was issued Neither we nor our affiliates offer franchises in other lines of business

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer and Director Scott Jewett

Mr Jewett has served as our Chief Executive Officer and Director since our initial organization in November 2016 Since 2007, he has also served as Senior Advisor with the iFranchise Group in Irvine, California Mr Jewett is also the founder and Chairman of the Board of Element-Y Engineering and has served in that capacity since 2009 Before that, from 1999 to 2006, , Mr Jewett served as Chief Executive Officer of LINE-X, a franchisor of businesses installing truck bed liners and other protective coatings

Secretary and Director Santiago Campa

Mr Campa has served as our Secretary and Director since our initial organization in November 2016 From 2012 to the present, Mr Campa has served as President of Sweet Assets, Inc , the company that operates the existing Donut Bar shops in San Diego, California, and Las Vegas, Nevada

Chief Financial Officer and Director Wendy Bartels

Ms Bartels has served as our Chief Financial Officer and Director since our initial organization in November 2016 Before that, from 2012 to the present, Ms Bartels has also served as Secretary of Sweet Assets, Inc , the company that operates the existing Donut Bar shops in San Diego, California and Las Vegas, Nevada

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item

ITEM 5

INITIAL FEES

Except as described below, you will pay a $35,000 initial franchise fee in a lump sum when you sign the Franchise Agreement for your Donut Bar shop If you are a veteran of the U S military who has been honorably discharged, you pay a reduced initial franchise fee equal to 85% of the initial franchise fee ($29,750) for your first Donut Bar shop If you are granted a franchise for a non-traditional location such as an airport, train station, hotel, enclosed shopping center (Including an open air shopping center), arena, stadium, casino, college campus, amusement park, theme park, museum or similar venue, you may pay a different initial fee

If you are signing a Franchise Agreement for an additional location after your first location is already open, you pay a reduced initial franchise fee equal to 80% of the initial franchise fee ($28,000)

If you are signing an Area Development Agreement, you pay a development fee The development fee is the entire initial franchise fee for the first location ($35,000) plus half of the initial franchise fee for each additional location listed on your development schedule ($14,000 each) The initial franchise fee for the first location on your development schedule is $35,000, and when you sign the Franchise Agreement for an additional location, we will credit you with the entire initial franchise fee for the first location The initial franchise fee for each additional location in your development schedule is $28,000, and when you sign the Franchise Agreement for a location, we will credit you with $14,000 for the initial franchise fee and you must pay the remaining $14,000 for the initial franchise fee for that location

We may collect all or a portion of the $10,000 minimum you are required to spend on grand opening activities from you before you begin operating your business in order to implement the initial marketing launch on your behalf If we do not, you must spend this amount on initial marketing on your own during the time period we designate which will be within 60 days of opening your business You must obtain our consent to your initial marketing before you implement it

None of the initial payments are refundable

ITEM 6

OTHER FEES

Franchise Agreement

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	7% of gross revenues	Weekly every Monday	See Note 1
System Marketing Fund Fee	Up to 4% of gross revenues, currently 2 5%	Weekly every Monday	See Note 2
Initial Training Fee	$500 per day per additional trainee after first 7 trainees	Upon demand	See Note 3
Additional Training Fee	Our then-current fee, currently $500 per trainer per day plus travel expenses	Upon demand	See Note 4
Technology Fee	Up to $300 per month, currently $250 per month	Monthly on the 1st of each month	See Note 5
Transfer Fee	80% of then-current initial franchise fee if buyer is a new franchisee, 60% of then-current initial franchise fee if buyer is an existing franchisee, $1,500 if transfer is between current owners or to new minority owner	Upon franchisee's application to transfer	See Note 6

Name of Fee	Amount	Due Date	Remarks
Audit Fee	Cost of the audit and our expenses	Upon demand	See Note 7
Successor Agreement Fee	$5,000	90 days before the beginning of renewal term	See Note 8
Mystery Shopper Fee	Up to $150 per month	Upon demand	See Note 9
Quality Assurance Audit Fee	Cost of audit	Upon demand	See Note 10
Alternative Supplier Evaluation Fee	Evaluation costs plus travel expenses	Upon demand	See Note 11
Relocation Fee	35% of the then-current initial franchise fee plus expenses	Upon demand	See Note 12
Advisory Council Program Fee	Dues assessed	Upon demand	See Note 13
Insufficient Funds Fee	$100 per occurrence	Upon demand	See Note 14
Late Fee	2% per month or maximum amount permitted by law	When payment or report is overdue	See Note 15
Hold Over Fee	$35,000 and 7% of gross revenues	Upon demand and weekly every Monday during violation period	See Note 16
Reimbursement	Our cost	Upon demand	See Note 17
Indemnification	Payment of our losses and costs	Upon demand	See Note 18
Cost of Appraisal	50% of cost	Upon demand	See Note 19
Costs and Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 20

All fees are imposed by and are payable to us, unless otherwise noted We may vary the frequency and method of payment We may require you to pay fees via automatic electronic withdrawal through ACH from your bank account All fees are uniformly imposed and are non-refundable, unless otherwise noted If you are located in a state in which we do not have an office or other physical presence, and the state or local taxing authority imposes a tax on any payment you are required to make to us (either by requiring you to withhold the amount of the tax or by requiring us to pay it), you must pay us the difference between the payment as originally calculated and the payment we receive from you after deducting the tax if we do not receive a refund or credit

Notes

1 Gross revenues means all revenues you receive from the operation of your Donut Bar shop (including any payments under your business interruption insurance coverage) deducting only amounts paid to any governmental tax authority (if we do not receive a refund or credit for the amount withheld or deducted) and any customer refunds made in accordance with our policy We may require you to pay the royalty fee by electronic funds transfer (EFT) You must send us a detailed summary of your overall business activity on a form we designate when your royalty payment is due We may also require that you send us this summary electronically

2 We have established a system marketing fund to which you must contribute a percentage of your gross revenues The percentage may vary periodically but will not be greater than 4%

3 We do not charge a separate fee for providing initial training to the first seven of your personnel who attend at the same time We may charge a fee to provide initial training to additional or replacement personnel or to personnel who attend at different times

4 We may charge a fee for additional training we may require you and your personnel to attend in the future If you request additional training and we agree to provide it, we will also charge this fee We decide where additional training takes place We may conduct it at your Donut Bar shop or at another location we designate

5 This fee may be used to cover the ongoing costs of your point-of-sale system and items such as licensing or help desk fees for the point-of-sale and other software, fees for a franchise portal, and fees for exposure on our website We may collect all or a portion of this fee for a third party vendor or require you to pay it directly

6 You must pay this fee when you submit an application to transfer We retain our expenses if we do not consent to the transfer If you are an individual and you are transferring to a wholly-owned entity, you do not pay a transfer fee, but you must reimburse us for our out-of-pocket expenses in documenting the transfer There are other conditions to your ability to transfer See Item 17

7 If during an audit we determine that you have underpaid or underreported fees due to us by 2% or more for the period audited, then you must pay the cost of the audit and our expenses

8 You must pay this fee at least 90 days before the beginning of the renewal term of your Franchise Agreement If we do not consent to the renewal of your franchise because you do not comply with all of the conditions to renewal, we will retain this fee You must be in good standing to renew There are other conditions to renewal See Item 17

9 If we establish a mystery shop program, you must pay the cost of such a program, which we estimate will be up to $150 per month This cost may increase in the future We may collect this payment on behalf of the third party provider or require you to pay it directly

10 If we contract with a supplier to conduct quality assurance audits, you must pay the cost of the audit by paying the supplier directly or reimbursing us for the cost, at our option

11 If you request our approval for an alternative supplier for any products or services you use in your Donut Bar, you must reimburse us for the costs plus travel expenses for us to evaluate an alternative supplier if we choose to do so

12 If you request our consent for you to relocate your Donut Bar shop and we agree, you must pay this fee to us and reimburse us any travel and other expenses for our assistance in evaluating the new site, reviewing your building plans and other services when we give you notice of whether or not we consent

13 If we form a franchisee advisory council, we may require you to participate If we do so, you must pay any dues assessed

14 We may collect monies from you via electronic funds transfer If your account has insufficient funds (or, if we change your method of payment, a returned check), you must pay a fee of $100 per occurrence

15 If you do not pay any amount when due, you must pay a late charge of 2% per month, or the maximum rate permitted by law, if less

16 If you violate the non-competition covenant in the Franchise Agreement, you must pay this fee immediately upon demand and during the period you continue to operate a competing business

17 If you fail to obtain insurance as required by the Franchise Agreement, we may obtain insurance on your behalf and you must reimburse us for the cost of obtaining such insurance

18 You must hold harmless, indemnify and defend us and our affiliates, partners, officers, directors, owners, agents and representatives and pay for any claims and losses to us resulting from your actions or failure to act

19 If we exercise our right to purchase the assets of your Donut Bar shop upon termination or expiration of the Franchise Agreement, and you and we do not agree on the fair market value of the assets, we will jointly select an appraiser and each pay 50% of the cost of the appraisal of the assets

20 If there is a dispute between us, the prevailing party is entitled to attorney's fees and costs If we obtain injunctive relief against you for any reason, you must also reimburse us for our attorney's fees and costs

Area Development Agreement

Name of Fee	Amount	Due Date	Remarks
Transfer Expenses	Our expenses	Upon our consent to transfer	See Note 1
Hold Over Fee	$35,000 and 7% of gross revenues	Upon demand and weekly every Monday during violation period	See Note 2
Reimbursement	Our cost	Upon demand	See Note 3
Indemnification	Payment of our losses and costs	Upon demand	See Note 4
Costs and Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 5

All fees are imposed by and are payable to us, unless otherwise noted We may vary the frequency and method of payment We may require you to pay fees via electronic withdrawal from your bank account All fees are uniformly imposed and are non-refundable, unless otherwise noted If you are located in a state in which we do not have an office or other physical presence, and the state or local taxing authority imposes a tax on any payment you are required to make to us (either by requiring you to withhold the amount of the tax or by requiring us to pay it), you must pay us the difference between the payment as originally calculated and the payment we receive from you after deducting the tax if we do not receive a refund or credit

Notes

1 If you transfer your rights under the Area Development Agreement or any interest in the developer, you must reimburse us for our expenses including our cost to review the application to transfer (including legal and accounting costs and other consultant's fees) You must reimburse us for our expenses even if we do not consent to the transfer There are other conditions to your ability to transfer See Item 17

2 If you violate the non-competition covenant in the Area Development Agreement, you must pay this fee immediately upon demand and during the period you continue to operate a competing business

3 If you fail to obtain insurance as required by the Area Development Agreement, we may obtain insurance on your behalf and you must reimburse us for the cost of obtaining such insurance

4 You must hold harmless, indemnify and defend us and our affiliates, partners, agents and representatives and pay for any claims and losses to us resulting from the operation of your business

5 If there is a dispute between us, the prevailing party is entitled to attorney's fees and costs If we obtain injunctive relief against you for any reason, you must also reimburse us for our attorney's fees and costs

ITEM 7

ESTIMATED INITIAL INVESTMENT

FRANCHISEES WHO PURCHASE SINGLE UNITS

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
INITIAL FRANCHISE FEE (Note 1)	$35,000	Lump Sum	At signing of Franchise Agreement	Us
LEASE, UTILITY AND SECURITY DEPOSITS (Note 2)	$5,000 - $13,000	As incurred	As incurred, before opening	Lessor, utility companies
DESIGN AND ARCHITECTURAL FEES	$5,000 - $35,000	As incurred	As incurred, before opening	Architects
LEASEHOLD IMPROVEMENTS (Note 2)	$30,000 - $150,000	As incurred	As incurred, before opening	Landowner
SIGNAGE	$13,000 - $22,000	As incurred	As incurred, before opening	Suppliers and us
FACILITY OCCUPANCY COSTS (Note 3)	$9,000 - $27,000	As incurred	As incurred	Lessor
FURNITURE AND FIXTURES	$10,000 - $20,000	As incurred	As incurred, before opening	Lessor, Suppliers
EQUIPMENT	$100,000 - $175,000	As incurred	As incurred, before opening	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
POINT OF SALE AND BACK OFFICE SYSTEM	$6,000 - $15,000	As incurred	As incurred, before opening	Suppliers
FINANCIAL SERVICES SET UP FEE	$2,700 - $3,000	Lump Sum	As incurred, before opening	Supplier
LOCAL DIGITAL MARKETING SET UP	$2,000	Lump sum	As incurred, before opening	Supplier
OFFICE EQUIPMENT AND SUPPLIES	$2,000 - $5,000	As incurred	As incurred, before opening	Suppliers
BUSINESS LICENSES AND PERMITS	$2,500 - $7,000	As incurred	Upon application	Regulatory agencies
PROFESSIONAL FEES (Note 4)	$5,000 - $20,000	As incurred	As incurred	Attorney, advisors
INITIAL INVENTORY (Note 5)	$25,000 - $35,000	Lump sum	As incurred	Suppliers
INSURANCE	$1,500 - $5,000	As incurred	As incurred	Insurance company
TRAINING EXPENSES (Note 6)	$5,000 - $15,000	As incurred	During training	Airlines, hotels, restaurants and other vendors
GRAND OPENING ADVERTISING (Note 7)	$10,000 - $15,000	As incurred	As incurred	Media and other vendors
ADDITIONAL FUNDS - 3 Months (Note 8)	$40,000 - $100,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 9)	$308,700 - $699,000			

All figures in Item 7 are estimates only Actual costs will vary for each franchisee depending on a number of factors The amounts payable to us are nonrefundable unless otherwise noted

The refundability of other amounts depends upon your agreement with the applicable supplier or other party

Notes

1 If you open additional locations, you pay a reduced initial franchise fee of 80% of the initial franchise fee when you sign the Franchise Agreement for each additional location If you are a veteran of the U S Military and you were honorably discharged, you pay 85% of the initial franchise fee for your first Donut Bar shop We may discontinue these discounts at any time If your Donut Bar shop is in a non-traditional location, you may pay a different initial franchise fee

2 The estimates in this chart are based on a Donut Bar shop with approximately 1,500 to 2,500 square feet It includes amounts needed for construction, remodeling, decorating costs and any other leasehold improvements

3 This estimates the costs of facility occupancy for three months

4 This figure includes our estimate of the cost for you to consult with independent legal, financial and other professional advisors

5 The amount of initial inventory you purchase will depend on the size and type of geographic location of your Donut Bar shop and the demographics of the population in the area

6 This amount includes our estimate of the cost for you to travel to initial training This amount varies depending on how far you are from our training location and on the number of people attending training

7 This figure estimates the amounts that you spend on marketing and promotions while opening your business You must spend at least $10,000 on grand opening advertising

8 This estimates your start-up expenses These expenses include payroll costs, but do not include any salary for you or your owners We base our estimate of these expenses on research of current standards and adaptations of our affiliate's experience You may have additional expenses in starting the business

9 These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business Your actual costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market, the prevailing wage rate, competition, and your customers You should review these figures carefully with a business advisor before making any decision to purchase the franchise

FRANCHISEES WHO SIGN AN AREA DEVELOPMENT AGREEMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
DEVELOPMENT FEE (Note 1)	$35,000	Lump Sum	At signing of Area Development Agreement	Us
PREPAID INITIAL FRANCHISE FEES (Note 1)	$28,000 – $112,000	Lump Sum	At signing of Area Development Agreement and Franchise Agreement	Us
LEASE, UTILITY AND SECURITY DEPOSITS (Note 2)	$5,000 - $13,000	As incurred	As incurred, before opening	Lessor, utility companies
DESIGN AND ARCHITECTURAL FEES	$5,000 - $35,000	As incurred	As incurred, before opening	Architects
LEASEHOLD IMPROVEMENTS (Note 2)	$30,000 - $150,000	As incurred	As incurred, before opening	Landowner
SIGNAGE	$13,000 - $22,000	As incurred	As incurred, before opening	Suppliers and us
FACILITY OCCUPANCY COSTS (Note 3)	$9,000 - $27,000	As incurred	As incurred	Lessor
FURNITURE AND FIXTURES	$10,000 - $20,000	As incurred	As incurred, before opening	Lessor, Suppliers
EQUIPMENT	$100,000 - $175,000	As incurred	As incurred, before opening	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
POINT OF SALE AND BACK OFFICE SYSTEM	$6,000 - $15,000	As incurred	As incurred, before opening	Suppliers
FINANCIAL SERVICES SET UP FEE	$2,700 - $3,000	Lump Sum	As incurred, before opening	Supplier
LOCAL DIGITAL MARKETING SET UP	$2,000	Lump sum	As incurred, before opening	Supplier
OFFICE EQUIPMENT AND SUPPLIES	$2,000 - $5,000	As incurred	As incurred, before opening	Suppliers
BUSINESS LICENSES AND PERMITS	$2,500 - $7,000	As incurred	Upon application	Regulatory agencies
PROFESSIONAL FEES (Note 4)	$5,000 - $20,000	As incurred	As incurred	Attorney, advisors
INITIAL INVENTORY (Note 5)	$25,000 - $35,000	Lump sum	As incurred	Suppliers
INSURANCE	$1,500 - $5,000	As incurred	As incurred	Insurance company
TRAINING EXPENSES (Note 6)	$5,000 - $15,000	As incurred	During training	Airlines, hotels, restaurants and other vendors
GRAND OPENING ADVERTISING (Note 7)	$10,000 - $15,000	As incurred	As incurred	Media and other vendors
ADDITIONAL FUNDS - 3 Months (Note 8)	$40,000 - $100,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 9)	$336,700 - $811,000			

All figures in Item 7 are estimates only Actual costs will vary for each developer depending on a number of factors The amounts payable to us are nonrefundable unless otherwise noted The refundability of other amounts depends upon your agreement with the applicable supplier or

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other party These estimated initial expenses include the estimated initial expenses for your first Donut Bar shop

Notes

1 If you are signing an Area Development Agreement, you pay a development fee The development fee is the entire initial franchise fee for the first location listed on your development schedule ($35,000), plus half of the initial franchise fee for each additional location listed in your development schedule ($14,000 each) The initial franchise fee for the first location on your development schedule is $35,000, and when you sign the Franchise Agreement for a location, we will credit you with the entire initial franchise fee for that location The initial franchise fee for each additional location on your development schedule is $28,000, and when you sign the Franchise Agreement for each such location, we will credit you with $14,000 for the initial franchise fee for that location and you must pay the remaining $14,000 The range presented assumes a development schedule of five franchised locations

2 The estimates in this chart are based on a Donut Bar shop with approximately 1,500 to 2,500 square feet This amount includes an estimate for lease and utility deposits This estimate includes amounts needed for construction, remodeling, decorating costs and any other leasehold improvements

3 This estimates the costs of facility occupancy for three months

4 This figure includes our estimate of the cost for you to consult with independent legal, financial and other professional advisors

5 The amount of initial inventory you will purchase will depend on the size and type of geographic location of your Donut Bar shop and the demographics of the population in the area

6 This amount includes our estimate of the cost for you to travel to initial training This amount varies depending on how far you are from our training location and on the number of people attending training

7 This figure estimates the amounts that you spend on marketing and promotions upon opening your business As of the date this Disclosure Document was issued, you must spend at least $10,000 on grand opening advertising

8 This estimates your start-up expenses These expenses include payroll costs, but do not include any salary for you or your owners You may have additional expenses in starting the business

9 These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business Your actual costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market, the prevailing wage rate, competition, and your customers We base our estimate of these expenses on research of current standards and adaptations of our affiliate's experience You should review these figures carefully with a business advisor before making any decision to purchase the franchise

We do not offer direct or indirect financing to franchisees for any items

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Products and Services – Specifications and Suppliers

All of the ingredients, products, goods, services, supplies, furniture, fixtures, equipment, inventory, and computer hardware and software you purchase or lease for use in the establishment or operation of The Donut Bar shop must meet the specifications, requirements, and standards described in the Donut Bar Standards Manual We reserve the right to sell branded or proprietary products, such as ingredients, prepared foods, retail merchandise and other items, to franchisees and to receive revenue from these sales

You must purchase all products and ingredients, equipment, supplies and services required or used in the operation of your Donut Bar shop only from (a) manufacturers, suppliers or distributors from time to time designated in writing by us, (b) such other suppliers selected by you and consented to by us in the manner and subject to the conditions described in the next paragraph, or (c) from us or our affiliate, if available

We may issue specifications and standards for products, equipment and services to franchisees or to authorized suppliers Our criteria for suppliers are available to franchisees in the Donut Bar Standards Manual

We and our affiliate are not currently the only authorized suppliers for any products or services described in this Item, but we may be in the future If we supply any products or services we will receive revenue for doing so

Alternative Suppliers

In order to obtain our consent to an alternative supplier, you must meet the following conditions We are not required to consider your request We are not required to consent to suppliers you propose even if they meet these conditions

(1) You must send a written request to us,

(2) You must reimburse us for our evaluation costs and travel expenses in evaluating the proposed supplier, which may include research, due diligence and testing,

(3) The supplier must demonstrate that it can supply an item or service meeting our specifications This may mean providing us with samples and allowing our representatives to inspect its facility,

(4) The supplier must demonstrate its financial soundness, its reputation in the business community and the reliability of its product or service,

(5) The supplier must maintain the insurance coverage we require and name both you and us as additional insureds with the right to notice before modification or cancellation of coverage, and

(6) If the item will bear our trademark, we may require the supplier to sign a license agreement which may include a royalty payment to us

We generally will notify you whether or not we consent to a supplier within 90 days We may notify you that the consent to a supplier is revoked at any time If we revoke consent to a supplier, you must immediately stop using that supplier

Officer-Owned Suppliers

None of our officers owns an interest in any supplier as of the date this Disclosure Document was issued except for the franchisor and its affiliates

Computer System

You must use the computer system and software we specify in the Donut Bar Standards Manual As of the date this Disclosure Document was issued, we require that you purchase and use an Apple iPad We also designate a point-of-sale (POS) system and various components that you must use You must also purchase the virus protection software suite that we designate in the Donut Bar Standards Manual The specifications for these items and the suppliers we designate are contained in the Donut Bar Standards Manual

We charge a monthly technology fee that is $250 as of the date this Disclosure Document was issued but that may increase up to $300 per month This is to cover the ongoing cost of your point-of-sale system and items such as licensing or help desk fees for the point-os-sale and other software, fees for a franchise portal and fees for exposure on our website You must obtain these services from us or our designated supplier

Merchant Services

We require that you use the merchant services vendor we designate We may change this designation from time to time

Accounting and Financial Systems

We require you to use a designated financial systems consulting firm and the system and processes we designate These include implementation of the accounting system for your Donut Bar shop, training and ongoing services from this firm Within five days of signing the lease for your Donut Bar shop, you must sign an engagement letter with this firm and pay a set-up fee that we estimate to cost between $2,700 and $3,000 We estimate ongoing costs for accounting and hosting services to cost between $450 and $500 per month as of the date this Disclosure Document was issued

In the future, if we do not designate an accounting system service provider, you must obtain our consent to the accountant or bookkeeper you retain, and you must use our mandated chart of accounts, income statement and balance sheet format in preparing financial statements We may designate the accountant or bookkeeper you use Alternatively, at our option, we may permit you to select your accountant or bookkeeper but the person you select must strictly adhere to our required chart of accounts, financial statement format and reporting deadline contained in the Donut Bar Standards Manual

You must purchase and use the accounting software we specify in the Donut Bar Standards Manual If you are not tracking information and generating financial statements in a manner consistent with our requirements for financial reporting and analysis, we may then require you to use a third party accounting firm that we designate for accounting services to you You must submit financial statements and reports we require in the format we designate and with the frequency we periodically require

Architect, Contractor and Real Estate Tenant Representative

You must use one of our designated architects to work with you to develop floor plans and construction drawings for your Donut Bar shop Your floor plans must include specifications for video surveillance cameras to be installed in your Donut Bar Shop You must also use contractors who meet our standards and qualifications for contractors, including that the contractors be commercially licensed and adequately insured and have experience in building facilities similar to Donut Bar shops We recommend that you obtain at least three construction bids for your location We may identify contractors that meet our standards and specifications, but you will not be required to use the contractors we identify, and you will have the final decision on hiring a contractor Your contractor must add you and us as additional insureds on its insurance policies We also reserve the right to require you to submit to us the construction bids you receive and review the construction process, including videos and photographs of the progress of construction We reserve the right to select one or more real estate tenant representative companies that can assist you in locating acceptable sites, and if we do so, you must retain the services of such companies and pay any costs to use their services

Location and Lease

You must obtain our approval of the lease or contract for the location from which you will operate your Donut Bar shop You are responsible for all costs to negotiate and sign the lease or contract We may require you to include certain terms in your lease including a conditional lease assignment to us or our nominee if your Franchise Agreement expires or is terminated We may require that the lease contain the following terms

(1) your right to assign the lease to us or our nominee without the landlord's consent or a rent increase or penalty,

(2) the landlord's acknowledgement that you may not transfer or sublet without our consent,

(3) the landlord's consent to our signage,

(4) the landlord's agreement to notify us if you default and to grant us the option (exercised at our discretion) to cure such default,

(5) that no change may be made to the lease without our consent,

(6) if the Franchise Agreement terminates or expires, the landlord's agreement that the lease will transfer to us or our nominee immediately at our option upon notice by us without rent increase or penalty,

(7) that the landlord may rely on our notice,

(8) that our notice operates as an assignment of your lease to us, but does not include liability for your prior acts or omissions,

(9) that the landlord must provide to us, upon our request, all reports, information and data about the property,

(10) that we may enter the premises and make alterations after the expiration or termination of the Franchise Agreement, and

(11) that we are a third party beneficiary of the lease

Refurbishing, Remodeling and Updating Requirements

We will periodically require that you refurbish, update and remodel your Donut Bar shop Our requirements may range from general updating to comprehensive brand reimaging We anticipate that you should reserve at least $10,000 per year for these expenses, but your expenses to comply may be higher We may also designate the suppliers you use to conduct the updates, remodeling and refurbishment

Insurance

You must obtain the insurance coverage required by the Franchise Agreement and as we may periodically notify you from a carrier with a Best's rating of at least A The required coverage currently includes public liability insurance, personal injury insurance, automobile insurance covering your vehicles, property damage insurance, worker's compensation insurance, including employer's liability, with limits as required by law, business interruption coverage and any other specialty coverage we require, in the minimum amounts of $1,000,000 per occurrence and $3,000,000 in the aggregate, and including such other limits and coverage as we may periodically require The required coverage is subject to change We must be listed as additional insured on all of the above policies, and you must provide us with evidence of coverage in the form and frequency we require, including a certificate of coverage every quarter You and your insurer must give us at least 30 days' notice of termination or any changes to coverage

Marketing and Advertising

You must obtain our consent to all marketing, advertising and publicity materials you use to promote your Donut Bar shop before you use them You must provide any proposed materials to us at least ten days before the deadline for submitting them for publication As of the date this Disclosure Document was issued, we require you to spend your local advertising funds by retaining a digital marketing firm we designate and that you conduct digital marketing as we direct We estimate the set up fee for this service to cost approximately $2,000 and the monthly fees to be the greater of 3 5% of gross revenues or $2,500

You must conduct grand opening advertising for your Donut Bar for which you must spend a minimum of $10,000 You must also obtain our prior consent to the activities you propose to conduct as part of your grand opening advertising

Revenues and Rebates

As of the date this Disclosure Document was issued, neither we nor our affiliate receive revenues on account of purchase or leases by franchisees, nor do we receive rebates or other benefits from your purchases or leases from suppliers We do reserve the right to do so

Other Information

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees

We do not provide material benefits to franchisees based on use of designated or authorized suppliers as of the date this Disclosure Document was issued, but we may do so in the future

We do not have any purchasing or distribution cooperatives as of the date this Disclosure Document was issued

We estimate that the required purchases and leases described in this Item will constitute approximately 90% of all purchases and leases you will incur to establish and operate your Donut Bar shop

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Agreement	Disclosure Document Item
a	Site selection and acquisition/lease	Section 1D of Franchise Agreement, Section 3 of the Area Development Agreement	Items 8 and 11
b	Pre-opening purchases/leases	Sections 1D and 3B of Franchise Agreement, Section 3F of the Area Development Agreement	Items 5, 7 and 8
c	Site development and other pre-opening requirements	Section 1D of Franchise Agreement, Sections 3 and 4 of the Area Development Agreement	Items 7, 8 and 11
d	Initial and ongoing training	Section 2 of Franchise Agreement	Item 11
e	Opening	Section 1D(8) of Franchise Agreement, Section 3G of the Area Development Agreement	Item 11
f	Fees	Sections 1E(2)(c), 2A, 3B(2)(a), 3J, 5, 7C, 10C, 13B(3)(g), 14 and 15J(5) of Franchise Agreement, Sections 4A, 5, 9C, 11B(3)(e), 11E and 12J(5) of the Area Development Agreement	Items 5 and 6
g	Compliance with standards and policies/Operating Manual	Sections 2C and 3 of Franchise Agreement	Item 11
h	Trademarks and proprietary information	Section 9 of Franchise Agreement, Section 8 of the Area Development Agreement	Items 13 and 14
i	Restrictions on products/services offered	Section 3A of Franchise Agreement	Item 16

	Obligation	Section in Agreement	Disclosure Document Item
j	Warranty and customer service requirements	Section 3A of Franchise Agreement	Item 11
k	Territorial development and sales quotas	Section 1B of Franchise Agreement, Section 2 of the Area Development Agreement	Item 12
l	Ongoing product/service purchases	Section 3B of Franchise Agreement	Item 8
m	Maintenance, appearance and remodeling requirements	Sections 1D and 3C of Franchise Agreement	Items 8 and 11
n	Insurance	Section 3J of Franchise Agreement, Section 4A of the Area Development Agreement	Item 8
o	Advertising	Section 8 of Franchise Agreement	Items 6 and 11
p	Indemnification	Section 14 of Franchise Agreement, Section 11E of the Area Development Agreement	Item 6
q	Owner's participation/ management/staffing	Section 3E of Franchise Agreement	Item 15
r	Records and reports	Section 6 of Franchise Agreement, Section 4B of the Area Development Agreement	Item 6
s	Inspections and audits	Section 7 of Franchise Agreement	Item 6
t	Transfer	Section 13 of Franchise Agreement, Section 11 of the Area Development Agreement	Item 17
u	Renewal	Section 1E of Franchise Agreement, Section 1B of the Area Development Agreement	Item 17
v	Post-termination obligations	Section 12 of Franchise Agreement, Section 10F of the Area Development Agreement	Item 17

	Obligation	Section in Agreement	Disclosure Document Item
w	Non-competition covenants	Section 10 of Franchise Agreement, Section 9 of the Area Development Agreement	Item 17
x	Dispute resolution	Section 15J of Franchise Agreement, Section 12J of the Area Development Agreement	Item 17
y	Other Spousal Consent of spouse (Note 1), Owner Guaranty and Confidentiality and Non-Competition Agreements (Note 2)	Exhibits B and D to Franchise Agreement, Exhibits E and D to Area Development Agreement	Item 22

Notes

1 The spouse of an individual franchisee (and the spouse of each owner of a franchisee that is an entity or a developer that is an entity) must sign a spousal consent (Exhibit B of the Franchise Agreement and Exhibit E of the Area Development Agreement)

2 Each individual who owns an interest in a franchisee that is a business entity (and that individual's spouse) may be required to sign an agreement to maintain confidentiality and not to compete and an agreement guaranteeing all obligations of the "Franchisee" under the Franchise Agreement (Exhibit D of the Franchise Agreement) If the developer that signs an Area Development Agreement is an entity, all owners of the developer must personally guarantee the developer's performance upon our request (Exhibit D of the Area Development Agreement)

ITEM 10

FINANCING

We do not offer direct or indirect financing to you We do not guarantee your note, lease or obligation

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Sweet Assets Franchising Group, Inc is not required to provide you with any assistance

Before you begin to operate your Donut Bar shop, we

(1) Will provide you with assistance in selecting a location for your Donut Bar shop We may select one or more real estate tenant representative firms that can assist

you in locating acceptable sites, and if we do so, you must retain the services of such firms You select the location for your business subject to our acceptance in writing You must submit your request in a format that we require You must obtain our consent before signing a lease or contract for the site, and we may refuse to consent to a lease for any reason We do not own premises or lease them to franchisees In general, the factors that we may consider include the general location and neighborhood of the business, zoning of the site, demographics, locations of any other donut, pastry, breakfast, or dessert restaurants or shops in the general area, proximity of complementary businesses, traffic flow, parking, rent, size, layout, physical characteristics of the location and lease terms (See Franchise Agreement, Section 1D and Area Development Agreement, Section 3)

You must submit and obtain our acceptance of a proposed location within three months after signing the Franchise Agreement We will accept or reject your proposed location within 30 days after receiving the request and all of the information we require concerning the proposed location We may reject your proposed location for any reason If we do not accept a proposed site, then you must find another site and request that we accept it

You must open your Donut Bar within nine months after signing the Franchise Agreement If you do not do so, your Franchise Agreement may terminate If a specific location for your Donut Bar shop has not been identified at the time you sign the Franchise Agreement, we will identify a general geographic area in your Franchise Agreement to assist you in focusing your site selection effort Once your location has been identified, your location and territory will be inserted as an exhibit to the Franchise Agreement Your lease must contain the provisions described in Item 8

(2) Will review with you a preliminary layout for a Donut Bar shop (See Franchise Agreement, Section 1D(4) and Area Development Agreement, Section 3D(1))

(3) Will designate one or more architects with whom you must work to develop floor plans and full construction drawings for your location and deliver prototype drawings for a conceptual appearance of a Donut Bar shop (See Franchise Agreement, Section 1D(4) and Area Development Agreement, Section 3D(1))

(4) Will review your architect's floor plans and full construction drawings for your Donut Bar shop, for which our consent is required (See Franchise Agreement, Section 1D(4) and Area Development Agreement, Section 3D(1))

(5) Will prescribe standards and qualifications for you to identify contractors (Franchise Agreement, Section 1D(5) and Area Development Agreement, Section 3D(2))

(6) Will evaluate your location before your opening to the public to determine if it is ready to open (See Franchise Agreement, Section 1D(8) and Area Development Agreement, Section 3)

(7) Will prescribe the menu items for your Donut Bar shop (See Franchise Agreement, Section 3A)

(8) May designate and negotiate pricing with suppliers for merchandise, equipment, inventory and supplies (See Franchise Agreement, Section 3B)

(9) Will assist you in placing orders for your initial inventory (See Franchise Agreement, Section 3B(1))

(10) Will provide you with the initial training program described below (See Franchise Agreement, Section 2)

(11) Will assist you in designing your grand opening advertising promotions strategy, for which you must obtain our consent, and which may include assisting you with devising a social media strategy for launching the Donut Bar brand in your local market (See Franchise Agreement, Section 8B)

(12) Will loan to you one copy of the Donut Bar Standards Manual, which we may modify from time to time A copy of the table of contents of the Donut Bar Standards Manual is attached as Exhibit G to this Disclosure Document The Donut Bar Standards Manual has a total of 275 pages (See Franchise Agreement, Section 2C)

We anticipate that franchisees will typically open their Donut Bar shops approximately nine months after signing the Franchise Agreement The factors that affect this are locating a satisfactory site, obtaining a lease, construction of improvements to the site, financing, obtaining building permits, obtaining a beer and wine or liquor license, zoning and local ordinances, acquisition of sufficient inventory, weather conditions, shortages and any delays in installation of equipment, fixtures and signs

During the operation of your business, we

(1) May furnish advice and guidance to you on the operation of your Donut Bar shop, which may include helping you to develop your annual business plan, through a variety of methods of communication, including site visits, telephone calls and electronic communication (See Franchise Agreement, Section 2D)

(2) Will provide yearly refresher training, which you will be required to attend (See Franchise Agreement, Section 2A)

(3) May organize franchisee meetings periodically, which you will be required to attend (See Franchise Agreement, Section 2A)

(4) Will provide additional training if you request it (and we agree) or we determine that it is necessary (See Franchise Agreement, Section 2A)

(5) May prepare and disseminate promotional and advertising strategies and materials for your use (See Franchise Agreement, Section 8A)

(6) Will evaluate and decide whether or not to consent to any advertising materials you propose to use (See Franchise Agreement, Section 8C)

(7) May establish a mystery shop program, in which you may be required to participate (See Franchise Agreement, Section 7B)

(8) May conduct ourselves, or contract with a supplier to provide, quality assurance audits for your Donut Bar shop, which may include monitoring and observing your Donut Bar shop using the video surveillance cameras you must install and to which we will have access (See Franchise Agreement, Section 7A)

Advertising and Marketing

We have established a system marketing fund to which you are required to contribute As of the date this Disclosure Document was issued, you must contribute 2 5% of your gross revenues to the system marketing fund, but we may increase this amount to up to 4% of gross revenues We may elect to disseminate advertising through social media, television, radio and print media such as websites, magazines, billboards, flyers or mailers and newspapers We may utilize the marketing fund for public relations, search engine optimization, consumer research, and for designing marketing materials to be used locally by franchisees The media coverage will initially be local in scope, but may expand to be regional and later, at our discretion, national We are not required to spend any specific amount on advertising in the area in which your Donut Bar shop is located We may use the system marketing fund to employ an outside consultant or advertising agency to assist in the development, production and dissemination of advertising materials We may also use the system marketing fund to develop promotional and advertising materials for your use We may spend the system marketing fund on administrative expenses including allocation of overhead and salaries of our personnel No expenditures will be made from the system marketing fund principally to solicit new franchise sales

We may deposit amounts contributed to the system marketing fund in our general operating account The fund is not audited, but we may prepare periodic financial reports on the system marketing fund and, if we do so, they will be available to you upon reasonable request Any amounts in the system marketing fund not spent during one year will carry over to the next year

We require franchisees to contribute to the system marketing fund at the same rate, although there may be exceptions in some circumstances, such as non-traditional locations Our affiliate's Donut Bar shops may also contribute to the system marketing fund

We require that you spend the greater of 3 5% of gross revenues or $2,500 per month on local advertising and promotions to which we have consented We may increase this amount in the future You must submit receipts documenting your local advertising and promotions activity upon request As of the date this Disclosure Document was issued, we require you to retain the services of a digital marketing firm we designate to conduct digital marketing as we direct The set up for this service is $2,000 as of the date this Disclosure Document was issued

We require that you spend at least $10,000 to $15,000 on grand opening advertising We will assist you in developing your grand opening advertising and promotions strategy, for which you must obtain our consent We reserve the right to collect all or a portion of the minimum of $10,000 to $15,000 from you and implement grand opening advertising and promotions on your behalf

We may require franchisees to form local marketing cooperatives when unit development in the marketing area makes such an option feasible If such a marketing cooperative is formed in your area, we may require that you contribute to the cooperative up to 50% of your revenues allocated to local advertising

You may use your own advertising materials, such as point-of-purchase materials and menus, only after we have reviewed them and consented to their use You must submit such advertising materials to us at least ten days before disseminating them We may also require you to use certain point-of-purchase advertising materials at your Donut Bar shop

We may develop discount programs, coupon, gift card or online ordering programs or other types of customer loyalty programs in the future If we do so, you must participate

We do not currently have a franchisee advisory council, but reserve the right to create one in the future

You may not establish any website, social media page, domain name or URL address without receiving our prior written permission

<u>Computer System and Software</u>

As of the date this Disclosure Document was issued, we require you to purchase an Apple iPad and a point-of-sale system, accounting software and virus protection software suite that we designate in the Donut Bar Standards Manual You must have high-speed access to the Internet

We estimate the cost to buy the Apple iPad and all other hardware and software you will need to start your business is $6,000 to $15,000 We charge a technology fee of up to $300 per month (currently $250 per month as of the date this Disclosure Document was issued) to provide you with technological services such as a help desk, an Intranet or website support

We will have independent access to the information on your computer system and on your surveillance cameras, and we will be able to download it There is no contractual limit on our right to do so

We may change the computer system and software we require you to use at any time If we develop proprietary software, we may require you to use it If we do, you may have to enter into a software license with us or our affiliate and pay a licensing fee

Neither we nor our affiliate or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates to any of the computer hardware or software you must use in your Donut Bar shop We may require you to maintain, repair, upgrade or update any computer equipment you utilize in your business and there are no contractual limitations on the frequency or cost of your obligation to do so We estimate that your annual cost to do so will range from $3,000 to $7,000

Training

Following is information on the training program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of Donut Bar	1	0	Las Vegas, NV or San Diego, CA
Use of the Manual	1	0	Las Vegas, NV or San Diego, CA
Tour of Donut Bar	1	0	Las Vegas, NV or San Diego, CA
Pre-Opening Procedures	1	0	Las Vegas, NV or San Diego, CA
Personnel Issues	1	1	Las Vegas, NV or San Diego, CA
Advertising	1	5	Las Vegas, NV or San Diego, CA
Management Procedures	1	20	Las Vegas, NV or San Diego, CA
Franchise Reporting Requirements	1	4	Las Vegas, NV or San Diego, CA
Accounting/Record keeping	1	4	Las Vegas, NV or San Diego, CA
Customer Service Procedures	1	20	Las Vegas, NV or San Diego, CA
Front/Back of House – Manager Duties	1	30	Las Vegas, NV or San Diego, CA
Back of House – Prep/Cook Procedures	1	40	Las Vegas, NV or San Diego, CA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Inventory Management	1	4	Las Vegas, NV or San Diego, CA
POS System	1	16	Las Vegas, NV or San Diego, CA
Cleaning Procedures	1	10	Las Vegas, NV or San Diego, CA
Safety Procedures	1	6	Las Vegas, NV or San Diego, CA
Totals	16	160	

Training programs are held when necessary to train new franchisees

Initial training will last approximately three weeks and take place at our affiliate's Donut Bar shop in San Diego, California, or another location we designate We will also provide on-site assistance for you and your staff for at least four days, two days before and two days after the opening of your Donut Bar shop

Before you open your Donut Bar shop, up to seven people, including you, your operating partner and your general manager, must successfully complete our initial training program You will receive no compensation or reimbursement for services or expenses for participation in training We will not charge you to train up to seven persons at the same time, but we may charge you a fee to train more than seven persons or to conduct initial training at a later time You will be responsible for all of your and your employees' expenses to attend the training program, including any lodging, transportation and food

Our senior management personnel or our trainers will conduct initial training Instructors have a minimum of one year of experience in the field, and they may not necessarily have any experience with us or our affiliate

You, your operating partner and your general managers must attend and complete initial training to our satisfaction between 45 and 60 days before opening your Donut Bar shop If you fail to complete the training to our satisfaction, we may terminate your franchise In addition to the initial training, we may require you and your personnel to attend remedial training if we determine your Donut Bar shop is not operating to our standards Moreover, we may require you to undergo, or you may request, onsite or additional training or operations assistance over and above our normal course of training If we require you to attend remedial training or you request additional training or assistance and we agree to provide it, you must pay a daily training rate per trainer and all of your own expenses in connection with training along with all of the trainer's travel expenses

We require you and certain of your personnel to attend refresher training for up to five days per year, which will take place at our affiliate's Donut Bar shop in San Diego, California, or another location we designate We may also require you to attend a national business meeting or convention for up to three days per year You will pay all direct costs, such as travel and accommodation, for you and your personnel attending these events

You are responsible for training any employees that you employ in your Donut Bar shop

If you enter into an Area Development Agreement with us, we grant you the right to sign Franchise Agreements for Donut Bar shops to be located in your development area The Area Development Agreement does not require us to provide any additional services to you other than those described above

ITEM 12

TERRITORY

You receive the right to operate a Donut Bar shop at a location in your protected area The size of your protected area may be determined by a number of factors that are unique to your market Your protected area will have a population of at least 30,000 people at the time you sign your Franchise Agreement The boundaries of your area will be defined by a radius, zip codes, census blocks, municipal boundaries, roadways or other factors that we utilize Your protected area will be specifically designated in the Franchise Agreement and may not include the entire city or zip code Your continued right to operate your Donut Bar shop in your protected area is not dependent on your meeting any specific sales quotas

If you have not determined where your Donut Bar shop will be located when you sign the Franchise Agreement, the Franchise Agreement will identify the general area in which you must secure a location for your Donut Bar shop There may be other Donut Bar franchisees seeking locations within this general area You do not have any territorial rights to this general area

You may not relocate your Donut Bar shop or establish additional Donut Bar shops without our prior written consent If we agree to evaluate your request to relocate, you must pay us a relocation fee of 35% of our then-current initial franchise fee and reimburse us for any travel and other expenses we incur to evaluate your request In general, the factors that we may consider in deciding whether to consent to your request are demographic changes with respect to the location of your Donut Bar shop and the performance of your Donut Bar shop

Our founders have a right of first refusal to develop Donut Bar shops in Southern California Other than that, we have not granted any options, rights of first refusal or similar rights to acquire additional franchises

Except for non-traditional locations, if you are in compliance with your obligations under the Franchise Agreement, you will have certain rights in your protected area We will not operate Donut Bar shops in your protected area and we will not license third parties to do so Non-traditional locations are enclosed shopping centers, grocery stores, airports, train stations, hotels, convention centers, arenas and stadiums, casinos, college campuses, amusement or theme parks, fairs, museums, charity and special events or similar venues and we can operate or franchise Donut Bar shops in these locations even if they are in your protected area We also reserve the right to sell our proprietary products in your protected area through other channels of distribution such as supermarkets and box stores

We also reserve the right to establish regional or national accounts with companies that wish to conduct business across multiple franchised or company-owned territories These agreements may contain specific standards for products and services offered, and may also contain special pricing If we do so, you must perform services based on the terms of our agreements with these third parties If you are unable to service a regional or national account customer or decline to do so, we can service the customer in your territory directly or through another franchisee

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

You may not sell products at wholesale You do not have the right to offer catering and delivery services, although we may permit or require you to do so, but we may instead do so ourselves or authorize a third party to do so We may permit or require you to offer online ordering for customer pickup in store and delivery through third parties during certain hours of the day and to conduct offsite sales at special events, such as pop-up stores, community events and fundraising efforts We reserve the right to develop a catering and delivery program in the future If we do so, we may require you to participate

We also reserve the right to negotiate regional or national accounts with individuals or companies that wish to conduct business across multiple Donut Bar shops If we do so, you will be required to accept the terms of any regional or national account agreements that we negotiate

You may not conduct advertising outside of your protected area, but you may serve customers from outside of your protected area if they come to your Donut Bar shop You do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing to make sales either inside or outside of your protected area

We reserve all rights that we do not grant to you For example, we reserve all rights to sell our proprietary products to restaurants or other locations in your protected area that are not Donut Bar shops, to promote Donut Bar shops and to sell Donut Bar products and other products using other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing or at special events, supermarkets, grocery stores, box stores and similar locations We do not have to pay you if we solicit or accept orders from inside your protected area

We anticipate requiring you to pay the cost of establishing a micro-site in connection with our website We operate a website that uses our name and other trademarks and features our products You may not develop or operate a separate website relating to your Donut Bar shop or using our marks without our permission

You may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Twitter, SnapChat, Instagram, LinkedIn or any other social or professional networking blog, app, or website) or mention or discuss the franchise, us or any of our affiliates, without our prior written consent If we do consent, we have the right to review all on-line content on social media sites, blogs, in electronic communications and on other on-line sites on which our trademarks are used to protect the reputation and high quality associated with our trademarks We may require you to remove any questionable usage or content involving our trademarks We may also require you to cease using our trademarks at all such sites

Our affiliate owns and operates gourmet donut shops under the name Donut Bar in San Diego, California and Las Vegas, Nevada As of the date this Disclosure Document was issued, neither we nor any of our affiliates operates, franchises or has plans to operate or franchise a business under a different trademark that will offer similar services to the ones you will offer as a Donut Bar franchisee, but we reserve the right to do so We also reserve the right to acquire similar competing brands or to be acquired by another entity without your consent or any notice to you

The Area Development Agreement grants you the right to open a number of Donut Bar shops in a development area We will not operate Donut Bar shops or grant franchises to other franchisees to do so in your development area for the term of the Area Development Agreement, except if there is already a Donut Bar shop operating in the development area before you sign the Area Development Agreement In that case, the shop and its protected area will be excluded from your development area The boundaries of the development area will be outlined on a map attached to the Area Development Agreement You do not receive any rights to offer catering or delivery services under the Area Development Agreement In addition, we may authorize another franchisee to offer catering services or to make off-site deliveries within your development area

The exact number of Donut Bar shops that a developer must open each year is determined when you sign the Area Development Agreement and is based upon the market potential of the development area and other operational considerations

You must open a certain number of Donut Bar shops in your development area according to a schedule that will be attached to the Area Development Agreement If you do not do so or if you default on your obligations under the Area Development Agreement, we may terminate the Area Development Agreement and retain the development fee in full and you may lose your territorial rights Alternatively, we may reduce the number of Donut Bar shops that you may develop in your development area or terminate or reduce your rights in that area

ITEM 13

TRADEMARKS

We will grant you the right to conduct business operating a gourmet donut shop under the name "Donut Bar," a design logo using the same words as seen on the cover page to this Disclosure Document and related trademarks You must also use other trademarks that we develop or prescribe to identify your business and its services and products By trademark, we mean trade names, trademarks, service marks and logos used to identify your business, its services and its products

As of the date of this Disclosure Document, our affiliate, Sweet Assets, Inc , has obtained a federal trademark registration for the following mark on the Supplemental Register of the U S Patent and Trademark Office ("USPTO")

Mark	**Class**	**Registration Number**	**Registration Date**
THE DONUT BAR	43 (cafe and restaurant services)	5158161	March 7, 2017

Sweet Assets, Inc has applied for the following trademark registrations on the principal register of the USPTO

Mark	**Class**	**Application Number**	**Application Date**
THE ORIGINAL DONUT BAR	43 (restaurant and cafe services)	87338909	February 16, 2017
THE ORIGINAL DONUT BAR	43 (taproom services, beer and wine)	87338870	February 16, 2017
DONUT BAR	43 (restaurant and cafe services)	87338838	February 16, 2017
DONUT BAR	43 (taproom services, beer and wine)	87338741	February 16, 2017

Mark	Class	Application Number	Application Date
WORLD FAMOUS DONUT BAR	43 (restaurant services, bar services)	87183300	September 26, 2016

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

On May 18, 2017 the USPTO issued office actions refusing to register the marks for which registration applications were filed because it determined they were merely descriptive Our affiliate has until November 2017 to respond to this action We may not be able to obtain federal registrations of any of our marks on the principal register

Other than the above office actions, as of the date this Disclosure Document was issued, there are no other currently effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation or any pending material litigation involving the principal trademarks

You must follow our rules when you use these trademarks You must use the ® symbol anytime you use our trademarked name or logo You must use the ™ symbol any time you use other unregistered trademarks we designate, including the ones listed above You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by us

We received the right to use these trademarks and to license their use to you under a trademark license agreement with our affiliate, Sweet Assets, Inc , dated as of March 6, 2017 Unless terminated, the agreement continues perpetually, and the agreement may not be modified without both parties' consent If the trademark license agreement is terminated for any reason or expires, it provides that Sweet Assets, Inc will continue to honor the rights we granted to you No other agreements limit our right to use or license the use of the trademarks

You must notify us immediately when you learn about a challenge to your use of our trademarks The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by the Franchise Agreement and if you are in good standing You must assist us in protecting any of our rights, at our expense We will control any proceedings or litigation and decide whether or not to settle any action You do not have the right to settle a claim without our consent

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so

We have the right to control any administrative proceeding or litigation involving our trademarks You do not have the right to file or settle a claim without our consent

If we decide to add a new trademark or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense You must not contest our affiliate's right to its trademarks or our right to use them

We are aware of four small donut shops in the U S that use "donut bar" in some manner including Tip Top Donut Bar in Marietta, Georgia, Rebel Donut Bar in Minneapolis, Minnesota and Art of Donut in San Antonio, Texas Other than that, as of the date this Disclosure Document was issued, we do not know of any infringing uses that could materially affect your use of our or our affiliate's trademarks

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent

We claim a copyright in our Donut Bar Standards Manual, marketing materials and other promotional and operational literature we develop, although we have not filed for copyright registration You must not contest our right to our copyrights

There are no currently effective material determinations of the USPTO, the United States Copyright Office or a court regarding any copyright we own There is no material pending proceeding the USPTO or any court concerning any such copyright

You must notify us immediately when you learn about a challenge to use of our copyrighted materials We will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement, if you are in good standing You must assist us in protecting any of our rights, at our expense We will control any administrative proceedings or litigation involving the copyrighted materials You do not have the right to file or settle a claim without our consent

If you learn about a third party's use of these copyrighted materials that you believe to be unauthorized, you must notify us immediately We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so

We do not know of any infringing uses that could materially affect your use of our copyrighted materials

You also receive the right to use certain of our trade secrets and confidential and other proprietary information, including our recipes and proprietary methods of preparation

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that you or your operating manager who has successfully completed initial training directly operate your Donut Bar shop If you have not previously owned or managed a food and beverage facility, we may require that you designate an operating partner who is an owner of at least 10% of the franchisee The operating partner must live in the area near your Donut Bar shop and work actively in your Donut Bar shop Your operating partner is subject to our consent If your operating partner is terminated or elects to end his or her relationship with you, you must recruit a new operating partner within 30 days and submit his or her qualifications to us for review and approval

We require that you, your operating partner and general manager, complete initial training to our satisfaction We may also require your operating partner and general manager to sign a confidentiality and non-competition agreement

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer and sell those products and services to which we have given our consent You may not sell products or services at wholesale You may not provide online ordering, delivery, catering, or offsite services without our consent If we do grant our approval for you to provide these types of services, you may only do so within your protected area or an area we designate which may be smaller

You must also offer all menu items that we designate and you may not offer any other menu items without our consent We can add to the approved menu items you must offer, delete them or change them at any time

You must offer all goods and services that we designate unless we otherwise agree in writing There are no limits on our right to do so

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

Franchise Agreement

	Provision	Section in Franchise or Other Agreement	Summary
a	Length of the franchise term	Section 1E(1)	10 years
b	Renewal or extension of the term	Section 1E(2)	If you meet certain conditions, you can enter into the then-current renewal Franchise Agreement for up to two additional terms of 5 years
c	Requirements for franchisee to renew or extend	Section 1E(2)	You must sign our then-current form of Franchise Agreement, you must be in full compliance under all agreements with us or our affiliates, you must pay all that you owe us plus a successor agreement fee of $5,000, you and your personnel must successfully complete refresher training, you and your owners must sign a general release, you must not have received three or more default notices in any 24 month period, we must not have decided to withdraw from your market, you must meet requirements for new franchisees, you must remodel and update your Donut Bar shop premises, you must have the right to occupy the premises for the renewal term, you must give us 180 days' notice of your election to renew and return documents within 30 days You may be asked to sign an agreement with materially different terms and conditions than your original Franchise Agreement

	Provision	Section in Franchise or Other Agreement	Summary
d	Termination by franchisee	Not applicable	Not applicable
e	Termination by franchisor without cause	Not applicable	Not applicable
f	Termination by franchisor with cause	Section 11	We can terminate only if you default or if the events described in g and h occur
g	"Cause" defined-curable defaults	Section 11B	You have five days to cure nonpayment and up to 30 days for other types of noncompliance, subject to applicable law
h	"Cause" defined-non-curable defaults	Section 11A	Noncurable defaults (subject to applicable law) bankruptcy, you admit to inability to pay debts when due, insolvency, application for receiver is made and not resolved favorably in 30 days, abandonment, your material misrepresentation to us, your failure to begin operating your Donut Bar shop within the period required by the Franchise Agreement, unauthorized transfer, termination of any other agreement with us because of your breach, your unauthorized use of trademarks or confidential information, failure to complete initial training to our satisfaction, intentional failure to report to us all gross revenues, you offer unauthorized goods or services, you incur insufficient funds fee on three or more occasions in a 12-month period, your right to operate under any license or permit is suspended, terminated or interrupted, conviction of a felony or other criminal misconduct or conduct which reflects unfavorably on us or our system, noncompliance with law within three days after notice, repeated failure to comply with franchise requirements (three or more times during 24-month period), seizure by government official or lienholder, eviction from premises, final

	Provision	Section in Franchise or Other Agreement	Summary
			judgment of more than $5,000 remains unsatisfied for 30 days, undischarged levy of execution on franchise, danger to public health or safety, you become a specially designated national or blocked person under the U S anti-terrorism laws
i	Franchisee's obligations on termination/non-renewal	Section 12	Pay all amounts due to us and our affiliates, discontinue use of trademarks, trade dress and system, de-identify, return or destroy all products with our trademarks, return Donut Bar Standards Manual and other confidential information, assist in smooth transition of business, refrain from soliciting customers, refrain from making disparaging remarks, turn over all customer information to us, assign to us telephone and facsimile numbers and e-mail addresses, and cancel fictitious business name statement (also see r below)
j	Assignment of contract by franchisor	Section 13A	No restriction on our right to assign
k	"Transfer" by franchisee – definition	Section 13B(2)	Includes transfer of Agreement, assets of Donut Bar shop or greater than 10% ownership interest in franchisee
l	Franchisor approval of transfer by franchisee	Section 13B(1)	You must obtain our consent to all transfers
m	Conditions for franchisor approval of transfer	Section 13B(3)	You must be in good standing, your Donut Bar shop must meet our then-current standards, your lessor consents, the transferee must meet qualifications for new franchisee, the transferee must sign the then-current form of Franchise Agreement and guaranty, the transferee must successfully complete our training, you must pay the transfer fee, you and your owners must sign a general release, the transferee's obligations to you must

	Provision	Section in Franchise or Other Agreement	Summary
			be subrogated to your obligations to us, you must transfer all of your agreements with us, and the transferee must not be a specially-designated national or blocked person If you are an individual and want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Franchise Agreement (you remain responsible as well), the Donut Bar shop must be the sole business of the entity and you must reimburse us for our expenses
n	Franchisor's right of first refusal to acquire franchisee's business	Section 13C	We or our nominee can match any offer for your business
o	Franchisor's option to purchase franchisee's business	Section 12D	We or our nominee have the option of acquiring your assets if the Franchise Agreement expires or terminates
p	Death or disability of franchisee	Section 13D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the franchise to a qualified buyer within 60 days
q	Non-competition covenants during the term of the franchise	Sections 10A(1) and 10B	You may not be involved in any similar business
r	Non-competition covenants after the franchise is terminated or expires	Sections 10A(2) and 10B	You may not operate a similar business within 20 miles of your territory for two years after termination or expiration You may not solicit our employees or those of other franchisees
s	Modification of the agreement	Section 15I	No modification without a writing signed by you and us, except that we may amend the Donut Bar Standards Manual
t	Integration/ merger clause	Section 15I	Only the terms of the Franchise Agreement are binding (subject to state law) Any representations or promises outside of the Disclosure Document and

	Provision	Section in Franchise or Other Agreement	Summary
			Franchise Agreement may not be enforceable Nothing in the Franchise Agreement is intended to disclaim anything contained in this Disclosure Document
u	Dispute resolution by arbitration or mediation	Section 15J	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated
v	Choice of forum	Section 15J	Location of our headquarters, currently San Diego County, California
w	Choice of law	Section 15J(1)	Delaware law applies

Area Development Agreement

	Provision	Section in Area Development or Other Agreement	Summary
a	Length of the franchise term	Section 10B	From date of execution to opening date of last location
b	Renewal or extension of the term	Section 10B	No right to renew
c	Requirements for franchisee to renew or extend	Not applicable	Not applicable
d	Termination by franchisee	Not applicable	Not applicable
e	Termination by franchisor without cause	Not applicable	Not applicable
f	Termination by franchisor with cause	Section 10	We can terminate only if you default or if the events described in g and h occur

	Provision	Section in Area Development or Other Agreement	Summary
g	"Cause" defined-curable defaults	Section 10B	You have five days to cure nonpayment and up to 30 days for other types of noncompliance, subject to applicable law
h	"Cause" defined-non-curable defaults	Sections 10A and 10C	Noncurable defaults (subject to applicable law) bankruptcy, you admit to inability to pay debts when due, insolvency, application for receiver is made and not resolved favorably in 30 days, abandonment, your material misrepresentation to us, unauthorized transfer, your unauthorized use of confidential information, conviction of a felony or other criminal misconduct or conduct which reflects unfavorably on us or our system, noncompliance with law within three days after notice, repeated failure to comply with requirements of agreement (three or more times during 24-month period), final judgment of more than $5,000 remains unsatisfied for 30 days, undischarged levy of execution on franchise, failure to meet schedules set forth in Agreement, you become a specially designated national or blocked person under the U S anti-terrorism laws
i	Franchisee's obligations on termination/non-renewal	Section 10F	Pay all amounts due to us and our affiliates, return all confidential information, assist in smooth transition of business, refrain from soliciting customers, refrain from making disparaging remarks, assign to us telephone and facsimile numbers and email addresses (also see r below)
j	Assignment of contract by franchisor	Section 11A	No restriction on our right to assign
k	"Transfer" by franchisee – definition	Section 11B(2)	Includes transfer of Agreement, or transfer of the business or greater than 10% ownership interest in developer

	Provision	Section in Area Development or Other Agreement	Summary
l	Franchisor approval of transfer by franchisee	Section 11B(1)	You must obtain our consent to all transfers
m	Conditions for franchisor approval of transfer	Section 11B(3)	You must be in good standing, your Donut Bar shops must be in compliance with our then-current standards, the transferee must meet qualifications for new developers, the transferee must sign the then-current form of Area Development Agreement and guaranty, you must reimburse us for our expenses to process the transfer, you and your owners must sign a general release, the transferee's obligations to you must be subrogated to your obligations to us, you must transfer all of your agreements with us, and the transferee must not be a specially-designated national or blocked person If you are an individual and want to transfer your rights under the Area Development Agreement to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Area Development Agreement (you remain responsible as well), the Donut Bar shop must be the sole business of the entity and you must reimburse us for our expenses
n	Franchisor's right of first refusal to acquire franchisee's business	Section 11C	We can match any offer for your business
o	Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p	Death or disability of franchisee	Section 11D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for developers or transfer the business to a qualified buyer within 60 days

	Provision	Section in Area Development or Other Agreement	Summary
q	Non-competition covenants during the term of the franchise	Section 9(1)	You may not be involved in any similar business
r	Non-competition covenants after the franchise is terminated or expires	Section 9(2)	You may not operate a similar business within 20 miles of your territory for two years after termination or expiration You may not solicit our employees or those of other franchisees
s	Modification of the agreement	Section 12I	No modification without a writing signed by you and us
t	Integration/ merger clause	Section 12I	Only the terms of the Area Development Agreement are binding (subject to state law) Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable Nothing in the Area Development Agreement is intended to disclaim anything contained in this Disclosure Document
u	Dispute resolution by arbitration or mediation	Section 12J	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated
v	Choice of forum	Section 12J	Location of our headquarters, currently San Diego County, California
w	Choice of law	Section 12J(1)	Delaware law applies

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchise as of the date this Disclosure Document was issued, but we may do so in the future

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

Following is a table showing gross revenues, and the following categories as a percentage of revenues costs of goods sold, gross margin and payroll expense for The Donut Bar shop operated by our affiliate, Sweet Assets, Inc , in San Diego for the calendar years 2014, 2015 and 2016 Sweet Assets, Inc has operated The Donut Bar shop in San Diego since March 2013 The characteristics of your location will likely differ from Sweet Assets, Inc 's San Diego shop due to several factors, including that our co-founders, Mr Campa and Ms Bartels, have operated the shop at this location for almost five years, and therefore, the shop has had time to build a customer base and reputation The shop is at a street-front location in downtown San Diego near other business buildings and approximately 45% of its customers are vacationers or tourists to the area, which provides a customer base that a franchisee may not have It also has been selling craft beers two nights per week since 2016, which provides revenue that you may not have if you are unable to obtain a beer and wine license It conducts sales at pop-up events at other locations, which you may not be able to do The shop has a basement and loft that are not fully utilized, which may affect its revenues The shop is also 2,400 square feet, which is on the higher end of the range for a typical franchise location

Sweet Assets, Inc 's Donut Bar shop has earned this amount Your individual results may differ There is no assurance that you'll earn as much

You should read the information presented together with all of the related information about the factual bases and material assumptions underlying them Upon reasonable request, we will make substantiating data available to you

Description	2014	2015	2016
Gross Revenues	$902,596	$1,230,986	$1,552,824
Cost of Goods Sold as % of Gross Revenues	33 4%	31 2%	25 9%

Description	2014	2015	2016
Payroll Expense as a % of Gross Revenues	31 1%	30 5%	30 9%
Royalty Fee as % of Gross Revenues	7%	7%	7%
System Marketing Fee as % of Gross Revenues	Up to 4%	Up to 4%	Up to 4%

Notes

1 Gross Revenues means the total revenue derived from the sale of food and beverage products less sales tax, discounts, allowances, and returns

2 Cost of Goods Sold means the cost of purchases of food and beverage products

We strongly recommend that you construct your own pro forma cash flow statement and make your own projections concerning potential rfevenues, operating costs, total capital investment requirements, cash injection, debt, overall potential cash flrow and other financial aspects of operating a Donut Bar shop You should not rely solely on the information provide by us in this Item, but should conduct your own independent investigation of costs and sales potential You should consult independent professional financial, tax and legal advisors

Other than as set forth above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Jewett at 7725 Gateway, Irvine, California 92618 or by email at scott@donutbar com or telephone (714) 425-9277, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No 1
Systemwide Outlet Summary
For Years 2014 to 2016

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets at End of the Year	Column 5 Net Change
Franchised	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Affiliate-Owned	2014	1	1	0
	2015	1	1	0
	2016	1	2	+1
Total	2014	1	1	0
	2015	1	1	0
	2016	1	2	+1

Table No 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2014 to 2016

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2014	0
	2015	0
	2016	0

Table No 3
Status of Franchised Outlets
For Years 2014 to 2016

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations Other Reasons	Column 9 Outlets at End of Year
Total	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0

Table No 4
Status of Affiliate-Owned Outlets
For Years 2014 to 2016

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Colum 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
California	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
Nevada	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	1
Total	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	1	0	0	0	2

Table No 5
Projected New Franchised Outlets
As of December 31, 2016

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
California	0	12	1
Total	0	12	1

Our affiliate, Sweet Assets, Inc , a California corporation, has operated gourmet donut shops under the name "Donut Bar" in San Diego, California since 2013 and Las Vegas, Nevada since 2016

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C to this Franchise Disclosure Document is our opening audited balance sheet as of April 30, 2017 Our fiscal year end is December 31 We have not been in operation long enough to have 3 years' worth of financial statements

ITEM 22

CONTRACTS

Attached are copies of the following agreements proposed for use in this state

Exhibit D Franchise Agreement and Addenda, if applicable

Exhibit B to the Franchise Agreement Spousal Consent

Exhibit D to the Franchise Agreement Guaranty and Assumption of Franchisee's Obligations

Exhibit E Area Development Agreement and Addenda, if applicable

Exhibit E to the Area Development Agreement Spousal Consent

Exhibit D to the Area Development Agreement Guaranty and Assumption of Franchisee's Obligations

Exhibit H Form of SBA Addendum to Franchise Agreement

ITEM 23

RECEIPT

Attached to the end of this Franchise Disclosure Document, following the Exhibits, is a receipt Please sign it, date it the date you receive the Franchise Disclosure Document, and return it to us Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise A duplicate of the receipt is attached for your records

EXHIBIT C

squarmilner

Certified Public Accountants
and Financial Advisors

Sweet Assets Franchise Group, Inc

Financial Statements

April 30, 2017

INDEX TO FINANCIAL STATEMENTS

squarmilner
Certified Public Accountants
and Financial Advisors

Squar Milner LLP

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Sweet Assets Franchise Group, Inc

Report on the Financial Statements

We have audited the accompanying financial statements of Sweet Assets Franchise Group, Inc (the "Company") which comprise the balance sheet as of April 30, 2017, and the related statements of operations, stockholders' equity, and cash flows for the period from November 3, 2016 (inception) to April 30, 2017, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sweet Assets Franchise Group, Inc as of April 30, 2017, and the results of its operations and its cash flows for the period from November 3, 2016 (inception) to April 30, 2017, in accordance with accounting principles generally accepted in the United States of America

SQUAR MILNER LLP

Squar Milner LLP

Los Angeles, California
July 25, 2017

SWEET ASSETS FRANCHISE GROUP, INC
BALANCE SHEET
April 30, 2017

ASSETS

Current Assets		
Cash and cash equivalents	$	422,766
Prepaid expenses and deposits		71,500
Total current assets		494,266
Total assets	$	494,266

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	$	3,000
Total current liabilities		3,000
Total liabilities		3,000
Stockholders' Equity		
Common stock, $0 001 par value, 3,000,000 shares authorized, issued and outstanding		3,000
Additional paid-in capital		498,000
Accumulated deficit		(9,734)
Total stockholders' equity		491,266
Total liabilities and stockholders' equity	$	494,266

 The accompanying notes are an integral part of these financial statements

SWEET ASSETS FRANCHISE GROUP, INC
STATEMENT OF OPERATIONS
For the Period From November 3, 2016 (inception) to April 30, 2017

OPERATIONAL EXPENSES		
Selling, general and administrative expenses	$	9,734
Total operational expenses		9,734
LOSS FROM OPERATIONS		(9,734)
NET LOSS	$	(9,734)

The accompanying notes are an integral part of these financial statements

SWEET ASSETS FRANCHISE GROUP, INC
STATEMENT OF STOCKHOLDERS' EQUITY
For the Period From November 3, 2016 (inception) to April 30, 2017

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCE – November 3, 2016	–	$ –	$ –	$ –	$ –
Issuance of common stock	3,000,000	3,000	498,000	–	501,000
Net loss	–	–	–	(9,734)	(9,734)
BALANCE – April 30, 2017	3,000,000	$ 3,000	$ 498,000	$ (9,734)	$ 491,266

The accompanying notes are an integral part of these statements

SWEET ASSETS FRANCHISE GROUP, INC
STATEMENT OF CASH FLOWS
For the Period From November 3, 2016 (inception) to April 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(9,734)
Changes in operating assets and liabilities		
Prepaid expenses and deposits		(71,500)
Accounts payable		3,000
Net cash used in operating activities		(78,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock		501,000
Net cash provided by financing activities		501,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		422,766
CASH AND CASH EQUIVALENTS – beginning of period, (inception)		–
CASH AND CASH EQUIVALENTS – end of period	$	422,766

The accompanying notes are an integral part of these statements

1 NATURE OF OPERATIONS

Sweet Assets Franchise Group, Inc (the "Company") is a Delaware corporation established on November 3, 2016 ("Inception")

The Company was formed to engage in the business of developing franchise operations for a premium doughnut shop concept branded as "Donut Bar" The Company intends on entering into agreements with franchisees throughout the United States The Company has not entered into any such agreements as of April 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") The financial statements are presented on the accrual basis of accounting

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents As of April 30, 2017, the Company did not have any cash equivalents The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits The Company has not experienced any losses in such accounts

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes Accordingly, actual results could differ from those estimates

Revenue Recognition

The Company will recognize revenue when earned Franchise fees will be assessed at the commencement of a franchise agreement to operate a franchise location Such fees will be recognized as income when the Company has substantially performed all material services required by the franchise agreement, primarily training and assistance in securing leases Franchise royalties will be charged on the retail sales of the franchise stores

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of advertising and professional services for the period from inception through April 30, 2017 These costs are expensed as incurred

Advertising Costs

Advertising costs are expensed in the period in which they are incurred or over the life of the contract, when applicable Advertising costs were $6,650 for the period from inception through April 30, 2017 and are included in selling, general and administrative expenses

Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred income tax assets and liabilities are recognized based on the differences between the financial statement reporting and tax bases of the Company's assets and liabilities Deferred income taxes and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse A valuation allowance is established if it is more likely than not that all or a portion of the net deferred income tax assets will not be realized As of April 30, 2017, the Company did not record any deferred tax assets or liabilities as it was deemed by management to be insignificant

The Company applies the provisions of ASC 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax provisions The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any The second step is to measure the tax benefit as the largest amount which is more than likely than not of being realized and effectively settled The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition The Company recognizes the accrued interest and penalties relating to the unrecognized tax benefits as a component of income tax expense

Fair Value of Financial Instruments

The carrying amount of the Company's cash and cash equivalents and accounts payable approximate their estimated fair values due to the short-term maturities of those financial instruments

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Company has evaluated events subsequent events through July 25, 2017, the date that the financial statements were available to be issued

3 EQUITY

As of April 30, 2017, the Company was authorized to issue 3,000,000 shares of common stock with a par value of $0 001 per share, of which 3,000,000 shares were issued for $501,000 during December 2016 and January 2017

EXHIBIT D

THAT FRANCHISEE IS FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE,

3) EXCEPT AS SET FORTH IN ITEM 19 OF THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISEE HAS NOT RECEIVED OR RELIED UPON ANY PROMISE, REPRESENTATION, GUARANTY OR WARRANTY, EXPRESSED OR IMPLIED, ABOUT THE POTENTIAL VOLUME, REVENUES, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT,

4) FRANCHISEE IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY,

5) NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, SALES PERSONNEL, AGENTS OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT HERETOFORE RECEIVED BY FRANCHISEE OR TO THE TERMS CONTAINED IN THIS AGREEMENT, AND FRANCHISEE HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS,

6) IN ALL OF THEIR DEALINGS WITH FRANCHISEE, THE OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, SALES PERSONNEL, AGENTS AND REPRESENTATIVES OF FRANCHISOR ACT ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR,

7) FRANCHISEE ACKNOWLEDGES THAT IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT CONTEMPLATED HEREBY, FRANCHISOR MAY DO SO IN ITS DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS DISCRETION, ELECT TO NOT ENFORCE (OR TO SELECTIVELY ENFORCE) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO FRANCHISEE OR ANY OTHER FRANCHISEE OR OTHERWISE, AND FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE, ALL WITHOUT LIABILITY OR OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO STRICTLY ENFORCE THIS AGREEMENT OR OTHERWISE, AND

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EXHIBIT F

ADDENDUM

TO THE FRANCHISE DISCLOSURE DOCUMENT OF SWEET ASSETS FRANCHISE GROUP, INC REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

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

Item 2 Neither the franchisor, nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling these persons from membership in this association or exchange

Item 6 The highest interest rate allowed by law in California is 10% annually

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

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law

The franchise agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

The franchise agreement requires binding arbitration The arbitration will occur in the city in which the franchisor's headquarters is then located (currently San Diego, California) with the costs borne by both parties (the prevailing party has the right to seek to recover such costs) Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California

The franchise agreement requires application of the laws of Delaware This provision may not be enforceable under California law

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute