



(Multistate)

FRANCHISE DISCLOSURE DOCUMENT

BAB SYSTEMS, INC.

500 Lake Cook Road, Suite 475

Deerfield, Illinois 60015

Toll Free #: 800/251-6101

Website: www.bigapplebagelsfranchising.com

**Email: Once on the website, click on the “Apply”
Area on the Home Page.**

The franchisee will engage in the business of owning and operating a bagel store which has the capacity for selling bagels, cream cheese spreads, muffins, breakfast and lunch sandwiches and coffee beverages.

The total investment necessary to begin operation of your first BAB Production Store ranges from ~~\$383,478,000~~ - ~~\$603,685,000~~. This includes \$32,500 you must pay the franchisor or its affiliates. The total investment necessary to begin operation of your first BAB Satellite Store ranges from ~~\$207,306,500~~ - ~~\$431,513,500~~. This includes \$18,000 you must pay the franchisor or its affiliates.

The total investment necessary to begin operation of your franchised BAB Area Development business is from \$45,000 to \$205,000, all of which you must pay the franchisor. That investment is in addition to the initial investment for your BAB Store. Under the Area Development Agreement, you must open a minimum of 2 BAB Stores.

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 or grant. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability in different formats, contact the Franchise Development Department at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 and 800/251-6101.

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 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 (“FTC”). You can contact the FTC at 1-888-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The Issuance Date of this Franchise Disclosure Document is February ~~4, 2024~~, 2025.

STATE COVER PAGES

How to Use This Franchise Disclosure Document

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

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

<p>What else should I know?</p>	<p>These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.</p>
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What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement permit you to resolve disputes with the franchisor only by arbitration in the major city nearest where the franchisor's principal business address is then location. Currently, that would be Chicago, Illinois. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in the Chicago, Illinois area than in your own state.

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

ADDENDUM FOR STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishing not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, franchisee has the right to request an escrow arrangement.

Any questions regarding the notice of this Offering should be directed to:

CONSUMER PROTECTION DIVISION
Michigan Attorney General's Office
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
P.O. Box 30213
Lansing, MI 48909
(517) 335-7567

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2. BUSINESS EXPERIENCE	7
3. LITIGATION	8
4. BANKRUPTCY	8
5. INITIAL FEES	9
6. OTHER FEES	12
7. ESTIMATED INITIAL INVESTMENT	17
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	26
9. FRANCHISEE’S OBLIGATIONS	30
10. FINANCING	32
11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	33
12. TERRITORY	45
13. TRADEMARKS.....	48
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	56
15. OBLIGATION OF FRANCHISEE TO PARTICIPATE IN THE ACTUA OPERATION OF THE FRANCHISE BUSINESS.....	57
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	58
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	60
18. PUBLIC FIGURES.....	66
19. FINANCIAL PERFORMANCE REPRESENTATIONS	67
20. OUTLETS AND FRANCHISEE INFORMATION	72
21. FINANCIAL STATEMENTS	77
22. CONTRACTS	77
23. RECEIPT	LAST PAGES

Exhibits

- A. Preliminary Agreement
- B. Franchise Agreement
- C. Area Development Agreement
- D. Disclosure Acknowledgement Statement
- E. Confidentiality and Non-Competition Agreement
- F. Wholesale Program Addendum
- G. Catering Program Addendum
- H. List of Current Franchisees and Company Stores
- I. List of Former or Inactive Franchisees
- J. List of State Administrators
- K. List of Agents for Service of Process
- L. General Release
- M. Assignment Agreement (to entity)
- N. Assignment Agreement (between unrelated Franchisees)

- O. Transferee's Waiver and Release
- P. Financial Statements
- Q. Table of Contents of BAGELS Operations Manual
- R. State Addenda for California, Illinois, Indiana, Maryland, Michigan (in front of the document),
Minnesota, New York, North Dakota, Rhode Island, Virginia, and Wisconsin
- S. State Effective Dates

Item 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATE

To simplify the language in this Franchise Disclosure Document, the Franchisor, BAB Systems, Inc. will be identified as “BAB” or “We.” “You” means the person (or owners) individually and collectively, who buy the franchise to own and operate a BAB Store under the mark “Big Apple Bagels.”

“Big Apple Bagels Franchisees shall be referred to as “BAGELS Franchisees,” and their Stores will be referred to as “BAGELS Stores.”

A BAGELS Store is either a BAGELS Production Store or a BAGELS Satellite Store, which are described in greater detail below in this Item 1.

BAB is an Illinois corporation formed in December 1992; its principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015. Prior to May 1, 2004, it was 8501 W. Higgins, Suite 320, Chicago, Illinois 60631. BAB is in the business of selling franchises and developing branded products under the names “Big Apple Bagels,” “My Favorite Muffin,” “Brewster’s” coffee, and “SweetDuet.” This disclosure document is for the Big Apple Bagels” or BAGELS Franchise only; BAB has a separate disclosure document for its “My Favorite Muffin” Store franchises. BAB’s primary business is offering and selling franchises. BAB operates a franchise distribution system under License Agreements dated November 30, 2003 and February 1, 2006 (as described in Item 13) with BAB, Inc. The agent for service of process on BAB is listed on Exhibit K.

BAB’s Parent Company

Our parent is BAB, Inc., whose principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015.

BAB’s Predecessors

BAB has no predecessors that must be disclosed in this disclosure document.

BAB’s Affiliates

BAB, Inc. is both our parent and our affiliate. BAB, Inc. is a holding company, whose principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015. BAB Holdings, Inc. was the predecessor of BAB, Inc. BAB, Inc. owns the trademarks and service marks “Big Apple Bagels,” “My Favorite Muffin,” “Brewster’s,” and “SweetDuet.” BAB, Inc. also has License Agreements described in this Item 1 (with BAB Systems, Inc. and BAB Operations, Inc.). BAB, Inc. also owns the subsidiary corporations described in this Item 1 (BAB Systems, Inc., and BAB Operations, Inc.). Beginning December 1, 2004, BAB, Inc. derived revenue from franchisees’ purchases of coffee, muffin and bakery products, cream cheese, and frozen bagels from BAB’s

designated suppliers. Beginning in 2016, BAB, Inc. derived revenue from franchisees' purchases of fountain soft drinks from BAB's designated supplier.

BAB Operations, Inc. is a wholly owned subsidiary of BAB, Inc. Its principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015. It was originally established on August 30, 1995 as a wholly owned subsidiary of BAB Holdings, Inc., primarily to operate company-owned Stores. As of the date of this Franchise Disclosure Document, BAB Operations, Inc. does not own or operate any Big Apple Bagels or My Favorite Muffin Stores, although it may open stores in the future. BAB Operations, Inc. is one of the approved suppliers of signs, menu panels, and printed promotional tools for BAB's Franchisees.

Between 1995 and 2000, BAB Operations, Inc. entered into license agreements with third parties, which granted the third parties the right to sell Branded Products at their retail locations. "Branded Products" are bagels, muffins and bakery products, and coffee retailed and sold to the public under the "Big Apple Bagels," "My Favorite Muffin," and "Brewster's" trademarks, respectively. Currently there are no license agreements with BAB Operations, Inc. for Branded Products.

Description of the Franchise

BAGELS Franchisees all offer similar products primarily through retail distribution, under the trademarks "Big Apple Bagels," "My Favorite Muffin," and "Brewster's," plus designs, and such other trademarks, service marks and commercial symbols (the "Marks") as BAB authorizes from time to time.

A BAGELS Store may sell "Big Apple Bagels" branded bagels and cream cheese spreads, "My Favorite Muffin" branded muffins, and "Brewster's" branded coffee to the public. BAGELS Stores display signage for all 3 branded items. However, the primary exterior sign will be 1 and only: "Big Apple Bagels."

~~BAB Franchisees may at their option offer "SweetDuet," branded self-serve frozen yogurt, under the trademark "SweetDuet," plus related designs.~~

You may be in competition with others offering comparable services and products to retail consumers. You will have to compete with other specialty retail bagel stores and bakery cafes and to an extent, with other outlets offering similar products. You should realize that this industry, including the retail sale of bagels, is highly competitive and such competition affects both BAB and its franchisees.

There are no regulations specific to the retail bagel and muffin business. You must comply with all local, state and federal health and sanitation laws in operating your BAGELS Store. As a seller of food and beverage items, your activities are regulated by, and you are solely responsible for complying with, at your own expense, the Food and Drug Administration ("FDA") and the United

States Department of Agriculture and those federal and state laws and regulations relating to food and nutrition labeling and claims, including the Federal Food, Drug and Cosmetic Act, 21 U.S.C. §101 et seq. (the "Act"), as amended by the Affordable Care Act of 2010 and the regulations promulgated thereunder, including the rule mandating calorie content on menus and complete nutritional information available in the Store. The FDA mandate for calories and nutritional information went into effect on May 7, 2018. You must also comply with any and all nutrition labeling requirements imposed by federal, state or local law which may be enacted after the issuance date of this disclosure document. You must also at your own expense comply with security standards established by the Payment Card Industry Security Standards Council, in connection with credit card transactions.

A. BAGELS Production Store Franchise

BAB will grant to certain qualified persons ("you") franchises to own and operate a BAGELS Production Store at a specific location, under the BAB Marks in accordance with the terms of its standard Franchise Agreement (the "Franchise Agreement") attached as Exhibit B.

A "BAGELS Production Store" is a store which has the capacity for the production, baking, retail and wholesale distribution, and on-site consumption of bagels and muffins, and the production, retail distribution and on-site consumption of cream cheese spreads, breakfast and lunch sandwiches, coffee beverages and soft drinks.

Other than Brewster's branded coffee and My Favorite Muffin branded muffins, the food and drink products utilized in the BAGELS Production Store must be purchased from approved suppliers and/or must meet established standards and specifications. You must purchase coffee and muffin mix from either BAB or its designated supplier.

The franchise is primarily to operate a retail business. However, you may also be granted rights to wholesale certain products under the Wholesale Program Addendum attached as Exhibit F.

B. BAGELS Satellite Store Franchise

Under certain circumstances, BAB may permit you to sell Branded Products from 1 or more BAGELS Satellite Stores. In this event, you must sign the then-current BAGELS Satellite Store Franchise Agreement granting you the right to own and operate a BAGELS Satellite Store. The current Franchise Agreement for the grant of a BAGELS Satellite Store is attached as Exhibit B.

A "BAGELS Satellite Store" is a store which has the capacity for baking, retail and wholesale distribution of bagels and muffins, and the production and retail distribution of cream cheese spreads, breakfast and lunch sandwiches, coffee beverages and soft drinks. The bagels and muffins sold in the BAGELS Satellite Store will be fresh baked and supplied by your own BAGELS Production Store. If you have a BAGELS Production Store that furnishes bagels and muffins to your BAGELS Satellite Store, you must facilitate the timely delivery of products requiring, among other items, additional vehicles, higher insurance coverages, and storage bins. The BAGELS Satellite

Store may have a more limited menu than a BAGELS Production Store and may or may not have seating for on-site consumption.

Other than Brewster's branded coffee and My Favorite Muffin branded muffins, the food and drink products utilized in the BAGELS Satellite Store must be purchased from approved suppliers and/or must meet established standards and specifications. You must purchase coffee and muffin mix from either BAB or its designated supplier.

C. Wholesale Program Addendum

If you are in good standing, you may, at the sole and exclusive discretion of BAB, be permitted to sell unbranded bagels and muffins ("Wholesale Unbranded Products") or "Jacobs Bros.®" branded bagels on a wholesale basis by executing the Wholesale Program Addendum attached as Exhibit F. "Wholesale Unbranded Products" are bagels and muffins sold without any identification regarding their source; they are sold as generic products. At your sole option, you may brand the wholesale bagels as "Jacobs Bros.®" Jacobs Bros. is a brand acquired by an affiliate of BAB in 1999, and your use of that brand name for wholesale bagels is authorized. The Wholesale Program Addendum permits you to sell from your BAGELS Production Store certain products, primarily bagels and muffins, but excluding coffee and cream cheese, to retailers or other distribution parties for resale to the ultimate consumer in the Wholesale Market Area. Your Wholesale Marketing Area is defined in the Wholesale Program Addendum, and it is not exclusive. However, you are prohibited from soliciting or delivering Wholesale Unbranded Products outside your Wholesale Marketing Area, which Area is subject to change. There is no initial fee payable to BAB under the Wholesale Program Addendum. The wholesale business is subject to the terms and conditions of the Franchise Agreement as described in this Franchise Disclosure Document.

D. Catering Program Addendum

If you are in good standing, you may, at the sole and exclusive discretion of BAB, be permitted to do catering by executing the Catering Program Addendum attached as Exhibit G to this Franchise Disclosure Document. The Catering Program Addendum permits you to sell from your BAGELS Production Store, within your Catering Marketing Area, Big Apple Bagels® brand bagels, sandwiches and cream cheeses, Brewster's® brand coffee, and My Favorite Muffin® brand muffins. Your Catering Marketing Area is defined in the Catering Program Addendum, and it is not exclusive. However, you are prohibited from soliciting or delivering Catering products outside your Catering Marketing Area, which Area is subject to change. There is no initial fee payable to BAB under the Catering Program Addendum. The catering business is subject to the terms and conditions of the Franchise Agreement as described in this Franchise Disclosure Document.

E. ~~SweetDuet Authorized Products~~

~~You may request SweetDuet branded self-serve frozen yogurt as an authorized product to sell in your BAGELS Store. You must agree to equip your BAGELS Store to accommodate those additional products.~~

EE. Area Development Rights

BAB, under its standard Area Development Agreement (the “Area Development Agreement”), also grants to certain qualified persons (“Developers”) the right, subject to certain terms and conditions, to develop and operate BAGELS Stores within defined geographical areas.

A Developer is obligated to open certain cumulative numbers of BAGELS Production Stores and/or BAGELS Satellite Stores (“Minimum Development Quota”) over a number of development periods, each of which is approximately 6 months in duration (“Development Periods”). Minimum Development Quota and Development Periods are determined by BAB and the Developer on the basis of the market potential, size of the designated area, and through an analysis of the financial and operational capabilities of Developer. With respect to each BAGELS Production Store and BAGELS Satellite Store opened by Developer in his designated area, Developer must sign BAB’s then current form of Franchise Agreement, which may differ from the current Franchise Agreement included in this disclosure document. The amount of the initial franchise fee will be described in Item 5, and will not be subject to increase. Subject to certain terms and conditions, Developer’s right to own and operate Stores within the designated area is exclusive so long as the Area Development Agreement is in effect.

BAB’s Franchising and Licensing History

BAB has never operated a business of the type to be operated by you or in any other line of business. BAB has offered Big Apple Bagels franchises since March 30, 1993 and My Favorite Muffin franchises since 1998. Until September of 2018, BAB offered both franchise brands under one franchise disclosure document. In that disclosure document Big Apple Bagels franchisees and My Favorite Muffin franchisees were collectively referred to as “BAB/MFM Franchisees.” BAB/MFM Franchisees offered bagels, cream cheese spreads, muffins, and coffee primarily through retail distribution, under the trademarks “Big Apple Bagels,” “My Favorite Muffin,” and “Brewster’s.” Starting in September of 2018, BAB discontinued offering the My Favorite Muffin brand under the franchise disclosure document that covered both franchise brands. Instead, BAB created a separate franchise disclosure document for the two types of My Favorite Muffin Stores, which are “My Favorite Muffin Gourmet Muffin Bakery” and “My Favorite Muffin Your All Day Bakery Cafe.” As of November 30, ~~2024~~2023, our last fiscal year-end, there were ~~1312~~ My Favorite Muffin franchises operating. BAB offered SweetDuet Frozen Yogurt & Gourmet Muffins (under a separate disclosure document) beginning in May 2012. BAB did not sell any stand-alone SweetDuet franchises. In December of 2014 BAB discontinued offering the stand-alone SweetDuet Frozen Yogurt & Gourmet Muffins concept and instead offered SweetDuet as a Dual-Concept. Beginning in January of 2016, BAB no longer offered the SweetDuet frozen yogurt Dual-Concept for BAGELS Stores, but allows franchisees to sell SweetDuet frozen yogurt if they agree to equip their BAGELS Stores to accommodate those additional products. As of the issuance date of this disclosure document, there ~~is~~ ~~are no~~ BAGELS Store that sells SweetDuet branded frozen yogurt products ~~in its Big Apple Bagels Store under a SweetDuet Frozen Yogurt & Gourmet Muffins franchise~~

~~agreement that was signed in 2013.~~

As of the date of this disclosure document, there are 3 license agreements between BAB and 3 licensees for a Big Apple Bagels Store; those stores are located in Naperville, Illinois, Sun Prairie, Wisconsin, and Castro Valley, California. The Big Apple Bagels store in Naperville, Illinois was originally owned by the founder of the Big Apple Bagels proprietary bagel recipes and cream cheese spread recipes as well as the brand name. The license agreement, when the franchise concept was launched, provided that the Naperville store would continue to be able to operate and use all the Marks in use by BAGELS franchisees without paying any royalties or Marketing Fees. The Wisconsin licensee was originally a BAB franchisee, but converted to a licensee in 2019 upon expiration of its franchise agreement with BAB. The California licensee was originally a BAB franchisee, but converted to a licensee in 2023 upon expiration of its franchise agreement with BAB. None of the 3 licensees pays BAB royalties or Marketing Fees.

BAB is also the licensor of 1 License Agreement for a My Favorite Muffin Store located in North Brunswick, New Jersey.

As of the issuance date of this disclosure document, we do not offer license agreements for any brands.

BAB may in the future enter into license agreements with third parties granting them the right to sell one or more Branded Products within an area of their outlets devoted to the sale of Branded Products. The sale of Branded Products by such third parties will constitute a relatively small percentage (less than 20%) of their total sales.

BAB's supplier, with BAB's consent, sells proprietary product (muffin mix) to a non-franchised third party.

Affiliates' Franchising History

BAB, Inc. has never offered a franchise business or conducted a business of the type to be operated by you. BAB Operations, Inc. has never offered franchises in this line of business. BAB, BAB, Inc., and BAB Operations, Inc. have never offered franchises in other lines of business.

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Item 2. BUSINESS EXPERIENCE

President, Chief Executive Officer and Director – MICHAEL W. EVANS

Mr. Evans has been Chief Executive Officer and Director of BAB in Deerfield, Illinois, since January of 1993. In February of 1996 he became President of BAB and its affiliates.

Vice President, General Counsel and Director – MICHAEL K. MURTAUGH

Mr. Murtaugh has been a Director of BAB in Deerfield, Illinois, since January of 1993. In January of 1994 he became Vice President and General Counsel of BAB and its affiliates.

Chief Financial Officer – GERALDINE CONN

Ms. Conn has been Chief Financial Officer and Treasurer of BAB and its affiliates in Deerfield, Illinois, since March 2014. From April 2008 to March 2014, she was Controller of BAB.

Director – STEVEN G. FELDMAN

Mr. Feldman has been a Director of BAB in Deerfield, Illinois, since May of 2003. From 2011 to the present, he has been self-employed in Chicago, Illinois, as a consultant and investor in entrepreneurial opportunities.

Director – JAMES A. LENTZ

Mr. Lentz has been a Director of BAB in Deerfield, Illinois, since May of 2004. He is currently retired.

Staff Attorney/Franchise Development Manager – BRIAN J. EVANS

Mr. Evans has been Staff Attorney/Franchise Development Manager of BAB in Deerfield, Illinois, since March of 2017.

Director of Marketing – LESLIE WALTERS

Ms. Walters has been Director of Marketing of BAB in Deerfield, Illinois, since June of 1996.

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Item 3. LITIGATION

No litigation is required to be disclosed in this Item.

Item 4. BANKRUPTCY

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

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Item 5. INITIAL FEES

A. BAGELS Production Store Franchise

Your first BAGELS Store must be a BAGELS Production Store. You must pay an initial non-refundable franchise fee of \$25,000 for your first BAGELS Production Store, payable upon execution of the Franchise Agreement. The initial franchise fee shall be fully earned when you pay it to BAB.

For each subsequent store, the franchise fee will be as follows:

2nd and subsequent BAGELS Production Stores \$20,000

B. BAGELS Satellite Store Franchise

The initial franchise fee for a BAGELS Satellite Store franchise is currently \$15,000, payable upon the execution of the Franchise Agreement.

The initial franchise fee for a BAGELS Satellite Store is non-refundable and shall be fully earned by BAB upon its payment.

In the event, subsequent to execution of your Franchise Agreement, you change your BAGELS Store from 1 type to another (for example, from a BAGELS Satellite Store to a BAGELS Production Store), you must pay BAB the amount by which the franchise fee for the upgraded store (as in effect when you signed the Franchise Agreement) exceeds the amount you paid in connection with the store you originally contracted for.

C. Area Development Agreement

BAB charges a non-recurring and non-refundable Development Fee which you must pay in a lump sum when you sign the Area Development Agreement. This fee is determined by multiplying the aggregate Minimum Development Quota by \$5,000 (but not counting your 1st BAGELS Production Store). The amount of the Development Fee will be inserted in Rider B to the Area Development Agreement before you sign the Area Development Agreement.

Developer is required, if he is not already a BAGELS Franchisee, to sign 1 Franchise Agreement and pay the \$25,000 franchise fee, simultaneously with the execution of the Area Development Agreement.

With respect to each BAGELS Production Store or BAGELS Satellite Store Developer opens under the Area Development Agreement, he must sign BAB's then current standard Franchise Agreement and pay BAB the initial franchise fee shown above in this Item 5. The Development Fee

is not applied to the franchise fees for each unit developed. The initial franchise fees for BAGELS Production Stores opened by Developer are:

2nd and subsequent BAGELS Production Stores \$15,000

The initial franchise fee for each BAGELS Satellite Store opened by Developer is \$10,000.

The initial franchise fees for BAGELS Production Stores and BAGELS Satellite Stores, up to the number of Stores required by Developer's Minimum Development Quota, are not subject to increase, even if BAB in the future increases the initial franchise fees for new franchisees. In the event Developer opens more than the number of Stores required to meet his Minimum Development Quota, either within or outside his Exclusive Development Area, the Developer will pay then-current initial franchise fee, which may be different than the \$15,000 initial franchise fee noted above. The "Minimum Development Quota" is the cumulative number of signed leases Developer must have within the Exclusive Development Area for BAGELS Production Stores or BAGELS Satellite Stores.

D. Preliminary Agreement

You may, but are not required to, sign a Preliminary Agreement (attached as Exhibit A) and pay a \$10,000 deposit for a BAGELS Franchise. You would sign it if you do not have a location for a BAGELS Store and you want to locate your site prior to the execution of a Franchise Agreement. The Preliminary Agreement gives the prospective franchisee a period of 60 days in which to locate a site. If you submit at least 1 site to BAB within the 60 days, but the site is not approved, BAB may, at any time thereafter at its sole discretion, either grant an extension to the above referenced 60 day period or terminate the Preliminary Agreement. If BAB elects to terminate the Preliminary Agreement, it will refund all but \$3,000 of the deposit. If you fail to submit even 1 site to BAB within the 60 days, you will not be entitled to a refund of any of the deposit. If you locate a site and sign a Franchise Agreement, the \$10,000 deposit will be applied toward the initial franchise fee. If you locate a site and it is approved by BAB within the 60 days but you fail to sign a Franchise Agreement within 14 days of the approval, BAB may terminate the Preliminary Agreement and you will not be entitled to any refund of the \$10,000 deposit.

E. Wholesale Program Addendum and Catering Program Addendum

There is no initial fee payable to BAB under the Wholesale Program Addendum or under the Catering Program Addendum.

~~F. SweetDuet Authorized Products~~

~~There is no initial fee payable to BAB to be able to sell SweetDuet frozen yogurt.~~

~~G. F. Store Opening Marketing Fee~~

In addition to the initial franchise fee, you must pay BAB a Store Opening Marketing Fee when you sign the Franchise Agreement. The Store Opening Marketing Fee is \$7,500 for a BAGELS Production Store, and \$3,000 for a BAGELS Satellite Store. For a Franchisee who purchases an existing BAGELS Store, the Store Opening Marketing Fee is \$1,000. The Store Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Store during the initial few months of operation. The Store Opening Marketing Fee is not refundable under any conditions.

HG. Veterans Discount Program

To provide support to past veteran and current veterans being released from active service we offer all qualifying veterans a discount of \$10,000 from the Initial \$25,000 Franchise Fee off your first BAGELS Production Store Franchise. This discount does not apply to the Satellite Store franchise, or to your 2nd or subsequent franchises. To qualify for this program, you must be a veteran who has received an honorable discharge from the U.S. Military, and you must provide a copy of your form DD 214 showing your status as a veteran.

IH. Variances in Franchise Fees.

During our most recent fiscal year (~~2021~~2024), the franchise fee was applied uniformly to all franchises offered or granted.

At our discretion, we may waive some or all of the Store Opening Marketing Fee. In our most recent fiscal year (~~2021~~2024), the Store Opening Marketing Fee had been waived in certain instances.

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Item 6. OTHER FEES

A. FRANCHISE AGREEMENT

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenues	Every Wednesday for the preceding Reporting Week (Monday through Sunday).	Gross Revenues is the entire amount of all gross sales and business receipts, including direct or indirect barter transactions, catering accounts, proceeds of business interruption insurance policies, wholesale accounts (both on and off premises) from the operation of the Store, whether for cash or credit. It does not include (1) sales, use or service taxes or customer refunds and (2) approved rebates, discounts and allowances. Your POS (Point-of-Sale) System may be polled by BAB. You must make payments by electronic bank draft. Gross Revenues are based on retail prices (unless the purchaser has an arrangement for wholesale purchases, in which event Gross Revenues are based on wholesale prices), subject only to the exclusions noted in (1) and (2) of this paragraph. The inclusion in or exclusion from Gross Revenues of any fees paid by Franchisees to Third Party Delivery Services will be determined by BAB and published in BAB's Operations Manual or as promulgated in a Policy Statement issued by BAB. A "Third Party Delivery Service" is a company or business through which customers purchase menu items from Franchisee's Store, that delivers the menu items to the customers at a location other than Franchisee's Store. Third Party Delivery Services typically charge the Franchisee a fee for this service, which may be automatically deducted from the funds that are collected from the customer prior to disbursement of the funds by the Third Party Delivery Service to the Franchisee. Examples of Third Party Delivery Services include, but are not limited to Grub Hub, DoorDash, UberEats, ezCater
Marketing Fund Contribution	3% of Gross Revenues. Subject to increase by BAB, but not to exceed 5% of Gross Revenues.	Every Wednesday for the preceding Reporting Week.	Gross Revenues calculated in the same manner as for Royalty Fee, except that receipts from wholesale accounts are excluded.
Store Opening Marketing Fee	\$7,500 for Production Store, \$3,000 for Satellite Store; \$1,000 for a transferee	Upon signing Franchise Agreement	The Store Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Store during the initial few months of operation.

Big Apple Bagels

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	\$5,000 for Production Store and Satellite Store	Before training of transferee.	Payable if you sell a controlling interest in your franchise. If a proposed sale is not completed, you must reimburse BAB for its reasonable expenses relating to the transfer request. Note: you cannot transfer a Satellite unless your buyer has a Production Store to supply it.
Additional Fee if Transfer is to our Existing Prospect	10% of Sale Price, not to exceed our then-current initial Franchise Fee	Before transfer	Payable if you transfer your franchise to a person with whom we had prior contact with respect to a franchise opportunity.
Document Name Change Fee	\$250	Upon BAB's approval to change Franchisee's name on Franchise Agreement	Payable if you request and BAB approves any alteration, addition, or modification in the name or identity of the Franchisee on your Franchise Agreement.
Renewal	\$2,500	30 days after billing.	Payable if you renew your franchise at the end of the initial term.
Additional Assistance	Reimbursement of our out-of-pocket costs in providing you on-site assistance, including travel and salaries In our last fiscal year we did not charge for Additional Assistance, but we reserve the right to do. The amount will vary depending on our out-pocket costs.	As incurred.	Payable only if BAB provides operating assistance as a result of your failure to comply with any provision of the Franchise Agreement or any specification, standard or operating procedure prescribed by us, or if you request operating assistance in excess of what BAB normally provides.
Testing	\$1,000 - \$5,000	30 days after billing.	To cover costs for testing products, supplies, or materials you request BAB to approve.
Relocation Expenses	Reimbursement of our Costs	30 days after billing.	If you relocate your store, you must reimburse us all our costs including the costs for reviewing and approving your new location and the costs for construction drawings for the Store at its new location.
New Manager Training	\$1,500	Due before training	If you request BAB to train your new Store Manager, you must pay this fee.
Interest	Lower of 2% per month or highest contract rate allowed by law	Upon billing	On late payments. We may compound interest on a monthly basis.

Big Apple Bagels

Type of Fee	Amount	Due Date	Remarks
Assessment for Electronic bank draft being Dishonored	\$25 or \$50	On demand	You must pay a \$25 assessment fee for each of the 1 st 3 times in any calendar year an electronic bank draft we attempt is dishonored, due to insufficient funds or a change in your bank account; after the 1 st 3 transactions per calendar year, the assessment fee is \$50 each
Fee for Default in Paying Fees	\$100 per day	Beginning on 15 th day after default	You must pay a \$100 per day fee if you fail to pay amounts when due
Fee for Default in Reporting Gross Revenues	\$10 per day	Beginning on 8 th day after default	You must pay a \$10 per day fee if you fail to report Gross Revenues. You must report your Gross Sales electronically (email)
Fee for Default in Submitting Register Tapes or Reports, Financial Statements, or Tax Returns	\$100 per day	Beginning on 15 th day after default	You must pay a \$100 per day fee if you fail to submit POS System tapes or reports, financial statements, or tax returns when due. If you are opening a new Store, your POS System will not have paper tapes. Register tapes apply only to existing Stores that were not required to have the current POS System.
Fee for Failure to Properly Use Proprietary Products	\$100 per day	On demand, beginning on the 1 st day of default	You must pay a \$100 per day fee if you fail to properly use proprietary products at your Store as specified in the Franchise Agreement and/or BAGELS Operations Manual.
Fee for Failure to Comply with Specific Operating Standards	\$100 per day	On demand, beginning on the 1 st day of default	You must pay a \$100 per day fee if your Store fails to comply with the following specific Operating Standards: (i) all employees wearing required uniforms; (ii) using approved suppliers; (iii) complying with the insurance requirements, and (iv) always having a manager in the Store who has been trained to our satisfaction..
Fee for Failure to Keep Store Open During Hours Required	\$100 per day	Fee for Failure to Keep Store Open During Hours Required	You must pay a \$100 per day fee if you fail, without obtaining our prior written consent, to keep your Store open during the days and hours (including opening and closing) we require.
Fee for Unauthorized Use of Marks	\$100 per day	On demand, beginning on the 1 st day of default	You must pay a \$100 per day fee if you make any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, menus, advertising, or Internet, and including unauthorized use during the term of the Franchise Agreement, or subsequent to its expiration or termination for any reason.

Big Apple Bagels

Type of Fee	Amount	Due Date	Remarks
Fee for Failure to Cooperate with Audit	\$20 per day	On demand, beginning on the 1 st day of default	You must pay a \$20 per day fee if you fail to provide us complete information (business records, bookkeeping and accounting records, bank statements, sales and income tax records and returns, POS System tapes or reports, and other books and records of the BAGELS Store) that we request in connection with an audit of your Store.
Audit	Cost of examination or audit, including charges of independent accountants and travel expenses, room and board, compensation of BAB employees.	30 days after billing.	If audit is necessary due to your failure to furnish reports or if audit shows an under-reporting of 2% or more of Gross Revenues.
Reimbursement of Local or State License Fees	Costs	30 days after billing.	Payable if BAB pays for licenses required by the Franchise Agreement when you fail to do so.
Management Fee	\$250 per day. Subject to increase.	30 days after billing.	Payable if BAB appoints a manager for the Store when the Store is not being managed by you or a qualified manager.
Attorneys' Fees and Costs	Varies	As incurred.	Payable to BAB if BAB prevails in any action.
Indemnification	Varies	As incurred.	You must reimburse BAB for any liability or cost incurred by it by reason of your operation of the Store or your offer or sale of securities.
Liquidated Damages	5% times average Gross Revenues over previous 36 months, discounted to present value based on 4% interest	On demand	Payable if you terminate without good cause, if we terminate for cause, you abandon your Store or you transfer it without our consent
Royalty Fee After Franchise Expires	7% of Gross Revenues	Every Wednesday for the preceding Reporting Week (Monday through Sunday).	If you fail to sign the Renewal Franchise Agreement after the expiration of the Initial Term, and you continue to accept any of the benefits of the franchise, you must pay us a royalty fee equal to 7% of your Gross Revenues

All fees are imposed by and are payable to BAB. All fees are non-refundable. The Royalty Fees and the Marketing Fund Contributions for all Stores, and the Store Opening Marketing Fee for new Production Stores are uniformly imposed. BAB has in certain instances waived the other fees listed in Item 6.

B. AREA DEVELOPMENT AGREEMENT

Type of Fee	Amount	Due Date	Remarks
Indemnification	Varies	As incurred.	You must reimburse BAB for any liability and costs incurred by it by reason of your operation of the development business or your offer or sale of securities.
Transfer Fee	\$2,500	Before transfer.	Payable if you sell any portion of your Area Development rights. If a proposed sale is not completed, you must reimburse BAB for its reasonable expenses relating to the transfer request.
Attorneys' Fees and Costs	Varies	As incurred.	Payable to BAB if BAB prevails in any action.

All fees are imposed by and are payable to BAB. All fees are non-refundable.

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Item 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

BAB Production Store Franchise

Type of Expenditure	Estimated Amount or Estimated High-Low Range	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee ^(1,2)	\$25,000	Lump Sum less Franchise Fee Deposit paid	When you sign the Franchise Agreement	BAB
Store Opening Marketing Fee ⁽³⁾	\$7,500	Lump Sum	Upon signing Franchise Agreement	BAB (BAGELS Marketing Fund)
Professional Fees ⁽⁴⁾	\$5,000 - \$10,000	As Agreed	As incurred	Professionals
First Month's Rent and Security Deposit ⁽⁵⁾	\$4,000 - \$9,000	As agreed in lease	As agreed in lease	Lessor
Insurance ⁽⁶⁾	\$5,000-\$9,000	Lump Sum	As incurred	Insurance Company
Leasehold Improvements ⁽⁷⁾	\$105170,000 - \$238292,000	As agreed	As incurred	Suppliers
Exterior and Interior Signage and Display ⁽⁸⁾	\$6,000 - \$12,000	As agreed	As incurred	Designated Supplier
Furniture, Fixtures, Equipment ⁽⁹⁾	\$196226,000 - \$245270,000	As agreed	As incurred	Approved Suppliers
Training ⁽¹⁰⁾	\$2,000 - \$5,000	As incurred	Before Opening	Hotels; Transportation Lines; Car; Restaurants
Prepaid Expenses, Deposits ⁽¹¹⁾	\$500 - \$1,500	Lump Sum	As incurred	Third Parties
Opening Inventory, Supplies ⁽¹²⁾	\$15,000-\$23,000	As agreed	As incurred	Approved Suppliers
Additional Funds - 3 months ⁽¹³⁾	\$12,000 - \$18,000	Varies	As incurred	Third Parties
TOTALS	\$383478,000 - \$603685,000			

Except for the Franchise Fee Deposit, the payments in the table above are non-refundable. The refundability of the Franchise Fee Deposit under the Preliminary Agreement is as follows: If you submit at least 1 site to BAB within the 60 days, but the site is not approved, BAB will refund all but \$3,000 of the deposit. If you fail to submit even 1 site to BAB within the 60 days, you will not be entitled to a refund of any of the deposit. If you locate a site and sign a Franchise Agreement, the \$10,000 deposit will be applied toward the initial franchise fee. If you locate a site and it is approved by BAB within the 60 days but you fail to sign a Franchise Agreement within 14 days of the approval, BAB may terminate the Preliminary Agreement and you will not be entitled to any refund of the \$10,000 deposit.

Neither BAB nor any affiliate finances part of the initial investment.

NOTES:

(1, 2) Initial Franchise Fee. The initial franchise fee is \$25,000. If you enter into a Preliminary Agreement, you must pay BAB a deposit in the amount of \$10,000. If you ultimately sign a Franchise Agreement, you must pay BAB the balance of the applicable initial franchise fee at the time you sign the Franchise Agreement. You must sign the Franchise Agreement within 14 days after we approve your site, or we may terminate the Preliminary Agreement. See Item 5 concerning the refund of your deposit. The \$25,000 is for your first Franchise Agreement; if you sign more than 1 Franchise Agreement, the franchise fee is \$20,000 for your 2nd and subsequent BAGELS Production Stores.

If you are a Developer, for each subsequent store developed under an Area Development Agreement, the franchise fee is \$15,000 for your 2nd and subsequent BAGELS Production Stores.

(3) Store Opening Marketing Fee

You must pay the Marketing Fund a \$7,500 Store Opening Marketing Fee when you sign your Franchise Agreement. The Store Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Store during the initial few months of operation.

(4) Professional Fees

You will need to employ a local architect, and may employ an attorney, accountant or other consultants.

(5) First Month's Rent and Security Deposit

The estimate is for the first month's rent and security deposit typically required to be paid when you sign a lease. The amount will vary depending on the location of the premises, the size of the Store, and the then current rental market.

(6) Insurance

The estimate is for a 1 year premium for the following types of insurance: Workers Compensation including Employers Liability, Comprehensive General Liability; Products Liability; Employment Practices Liability; Cyber Liability; Property Insurance; Business Interruption; and an Umbrella Policy. The cost of insurance will vary based on the types and limits of the insurance you purchase and other factors affecting risk exposure.

(7) Leasehold Improvements

The leasehold improvements you must make include, but are not limited to, flooring, ceiling, lighting, plumbing (including compliance with the Americans with Disabilities Act), electrical upgrades and services, telephone line and Internet connection for the Store and for the POS (Point-of-Sale) System, and cabinetry. The cost of leasehold improvements will vary depending upon the size, condition and location of the premises, price differences between suppliers and terms negotiated with the lessor.

(8) Exterior and Interior Signage and Display Items

You must obtain exterior and interior signage and menu panels from our designated supplier.

(9) Furniture, Fixtures, Equipment

This estimate is for, but is not limited to, the purchase of the following items: large bagel mixer, ovens, bagel divider/former, coffee equipment, muffin mixer, walk-in cooler, shelves, tables, chairs, counters and fax machine. You must also purchase a POS System, credit card processor, computer, monitor and printer that meet BAB's specifications. All equipment must be in operating condition throughout the term of your franchise. Your fax machine must have a dedicated line in your Store. These estimates do not include sales taxes, which vary from state to state or shipping costs. You should factor in sales taxes and shipping costs to these estimates.

(10) Training Expenses

We do not charge you an additional fee for your initial training. You are responsible for transportation and paying the expenses for your meals and lodging while you attend the training program. These costs will depend on your method of transportation, airfare costs (if applicable), whether you rent a car, and the type of accommodations you choose. We based the estimates on 2 persons attending the training.

(11) Prepaid Expenses, Deposits

This estimate covers utility deposits, and license and permit fees.

(12) Opening Inventory, Supplies

This estimate is for initial basic inventory, BAB's proprietary muffin mix, and miscellaneous supplies necessary to begin operating the Store, including but not limited to coffee, teas, other drinks, food products, paper goods, private label disposables, catering packaging, gift cards, gift packaging, branded coffee mugs and employee uniforms. These estimates do not include sales taxes, which vary from state to state or shipping costs. You should factor in sales taxes and shipping costs to these estimates.

(13) Additional Funds - 3 Months

This estimate covers business operating costs including payroll, rent, utilities, other initial costs and expenses for the first 3 months. We compiled these estimates based on our franchisees' recent experience in opening their stores. We based rent estimates on leases, when available. You should not assume that you will break even by the end of the 3 month period, and you may need amounts in excess of the estimated amounts before your business breaks even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

These figures are estimates for your Production Store, and BAB cannot guarantee that you will not have additional expenses in starting your Production Store. Your costs will depend on factors such as how closely you follow BAB's methods and procedures, your business management and marketing experience, local economic conditions, the local market for your products and services, the prevailing wage rates, competition, and the sales level reached during the first 3 months.

You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

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BAB Satellite Store Franchise

Type of Expenditure	Estimated Amount or Estimated High-Low Range	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee ⁽¹⁾	\$15,000	Lump Sum	When you sign the Franchise Agreement	BAB
Store Opening Marketing Fee ⁽²⁾	\$3,000	Lump Sum	Upon signing Franchise Agreement	BAB (BAGELS Marketing Fund)
Professional Fees ⁽³⁾	\$4,000-\$8,000	As agreed	As incurred	Professionals
First Month's Rent and Security Deposit ⁽⁴⁾	\$4,000-\$8,000	As agreed in lease	As agreed in lease	Lessor
Insurance ⁽⁵⁾	\$4,000-\$8,000	Lump Sum	As incurred	Insurance Company
Leasehold Improvements ⁽⁶⁾	\$65 130,000 - \$160 217,000	As agreed	As incurred	Suppliers
Exterior and Interior Signage and Display ⁽⁷⁾	\$5,000 - \$10,000	As agreed	As incurred	Designated Supplier
Furniture, Fixtures, Equipment, ⁽⁸⁾	\$90 124,000- \$165 190,000	As agreed	As incurred	Approved Suppliers
Training ⁽⁹⁾	\$0 - \$4,000	As incurred	Before Opening	Hotels; Transportation Lines; Restaurants
Prepaid Expenses, Deposits ⁽¹⁰⁾	\$500 - \$1,500	Lump Sum	As incurred	Third Parties
Opening Inventory, Supplies ⁽¹¹⁾	\$7,000-\$14,000	As agreed	As incurred	Approved Suppliers
Vehicle ⁽¹²⁾	\$2,000 - \$20,000	As agreed	As incurred	Third Parties
Additional Funds - 3 months ⁽¹³⁾	\$8,000-\$15,000	Varies	As incurred	Third Parties
TOTALS	\$207 306,500- \$431 513,500			

None of the payments in the above table are refundable.

Neither BAB nor any affiliate finances part of the initial investment.

NOTES:

(1) Initial Franchise Fee

You will pay an initial franchise fee of \$15,000 when you sign the Franchise Agreement for the BAGELS Satellite Store. If you are signing a Franchise Agreement under an Area Development Agreement, your franchise fee will be \$10,000.

(2) Store Opening Marketing Fee

You must pay the Marketing Fund a \$3,000 Store Opening Marketing Fee when you sign your Franchise Agreement for a Satellite Store. The Store Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Store during the initial few months of operation.

(3) Professional Fees

You will need to employ a local architect, and may employ an attorney, accountant or other consultants.

(4) First Month's Rent and Security Deposit

The estimate is for the first month's rent and security deposit typically required to be paid when you sign a lease. The amount will vary depending on the location of the premises, the size of the Store, and the then current rental market.

(5) Insurance

The estimate is for a 1 year premium for the following types of insurance: Workers Compensation including Employers Liability, Comprehensive General Liability; Products Liability; Employment Practices Liability; Cyber Liability; Property Insurance; Business Interruption; and an Umbrella Policy. The cost of insurance will vary based on the types and limits of the insurance you purchase and other factors affecting risk exposure.

(6) Leasehold Improvements

The leasehold improvements you must make include, but are not limited to, flooring, ceiling, lighting, plumbing (including compliance with the Americans with Disabilities Act), electrical upgrades and services, telephone line and Internet connection for the Store and for the POS (Point-of-Sale) System, and cabinetry. The cost of leasehold improvements will vary depending upon the

size, condition and location of the premises, price differences between suppliers and terms negotiated with the lessor.

(7) Exterior and Interior Signage and Display Items

You must obtain exterior and interior signage and menu panels from our designated supplier.

(8) Furniture, Fixtures, Equipment

This estimate is for, but is not limited to, the purchase of the following: small mixer, convection oven, refrigeration equipment, shelves, tables, chairs, counters and fax machine. You must also purchase a POS System, credit card processor, computer, monitor and printer that meet BAB's specifications. All equipment must be in operating condition throughout the term of your franchise. Your fax machine must have a dedicated line in your Store. These estimates do not include sales taxes, which vary from state to state or shipping costs. You should factor in sales taxes and shipping costs to these estimates.

(9) Training Expenses

We do not charge you an additional fee for your initial training. You are responsible for transportation and paying the expenses for your meals and lodging while you attend the training program. These costs will depend on your method of transportation, airfare costs (if applicable), whether you rent a car, and the type of accommodations you choose. We based the estimates on 2 persons attending the training.

For Satellite Stores the low range of \$0 applies for existing franchisees opening a Satellite Store, who have demonstrated to our satisfaction that they are proficient in operating their Production Store and do not need in-person training at our Training Facility.

(10) Prepaid Expenses, Deposits

This estimate covers utility deposits, and license and permit fees.

(11) Opening Inventory, Supplies

This estimate is for initial basic inventory, BAB's proprietary muffin mix, and miscellaneous supplies necessary to begin operating the Store, including but not limited to coffee, teas, other drinks, food products, paper goods, private label disposables, catering packaging, gift cards, gift packaging, branded coffee mugs and employee uniforms. These estimates do not include sales taxes, which vary from state to state or shipping costs. You should factor in sales taxes and shipping costs to these estimates.

(12) Vehicle

You may need a vehicle for your BAGELS Satellite Store, depending on your source of supply for bagels and other food products. The estimates shown are based on leasing and insuring a vehicle for the first 3 months (\$2,000 to \$2,500), and for purchasing a new vehicle and insuring it for 3 months (\$15,000 to \$20,000).

(13) Additional Funds - 3 Months

This estimate covers business operating costs including payroll, rent, utilities, other initial costs and expenses for the first 3 months. We compiled these estimates based on our franchisees' recent experience in opening their stores. We based rent estimates on leases, when available. You should not assume that you will break even by the end of the 3 month period, and you may need amounts in excess of the estimated amounts before your business breaks even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

These figures are estimates for your Satellite Store, and BAB cannot guarantee that you will not have additional expenses in starting your Satellite Store. Your costs will depend on factors such as how closely you follow BAB's methods and procedures, your business management and marketing experience, local economic conditions, the local market for your products and services, the prevailing wage rates, competition, and the sales level reached during the first 3 months.

You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

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Area Development Agreement

Type of Expenditure	Estimated Amount or Estimated High-Low Range	Method of Payment	When Due	To Whom Paid
Development Fee ⁽¹⁾	\$5,000 - \$45,000	Lump Sum	When you sign the Area Development Agreement	BAB
Initial Franchise Fees ⁽²⁾	\$40,000 - \$160,000	Lump Sum	When you sign the Franchise Agreement	BAB
Totals ⁽³⁾	\$45,000 - \$205,000			

None of the payments in the above table are refundable.

Neither BAB nor any affiliate finances part of the initial investment.

NOTES:

(1) Development Fee.

Developer must pay a Development Fee calculated by multiplying the aggregate Minimum Development Quota by \$5,000. The estimates shown are based on the Minimum Development Quota from 2 to 10 Stores.

(2) Initial Franchise Fees.

For the first BAGELS Production Store, Developer will pay a franchise fee of \$25,000. For subsequent BAGELS Production Stores, the franchise fee will be \$15,000. For BAGELS Satellite Stores the franchise fee will be \$10,000.

The estimates shown are based on the Minimum Development Quota from 2 to 10 Stores.

(3) Totals.

In addition to the Development Fee and Initial Franchise Fees, Developer will incur initial investment costs for each BAGELS Production Store and/or BAGELS Satellite Store described above for each type of Store.

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Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**A. FRANCHISE AGREEMENT**

You must purchase all your coffee, which is branded in your store as Brewster's, from our designated supplier. The term "supplier" in this disclosure document, when used in connection with our right to designate or approve suppliers from whom Franchisee must purchase products or services, includes not only the manufacturer, but also the distributor of those products or services. BAB, Inc. will derive revenue in the form of a license fee on your purchases of coffee from the designated source under a trademark licensing agreement between BAB, Inc., an affiliate of BAB, and the designated source. The license fee is a certain amount for each pound of coffee purchased by you from the designated source.

You must purchase your cream cheese, either in block form or prepackaged spreads, from our designated supplier. BAB, Inc. will derive revenue in the form of a license fee on your purchases of cream cheese from the designated source under a licensing agreement between BAB, Inc., an affiliate of BAB, and the designated source. The license fee is a certain amount for each pound of cream cheese purchased by you from the designated source.

If you are a BAGELS Satellite Store franchisee, the bagels sold in your Store must be supplied by your own BAGELS Production Store.

You must purchase BAB's proprietary muffin mix for My Favorite Muffin branded muffins. You must purchase this proprietary muffin mix and other bakery products from suppliers designated by BAB. The only exception is if you produce muffins at your BAGELS Production Store, you may supply the unbaked muffin batter to your own BAGELS Satellite Stores. BAB provides its proprietary recipes and processes for the products to manufacturers chosen by BAB. The manufacturers only sell the proprietary products to suppliers approved by BAB. These requirements are imposed by BAB in order to protect its proprietary recipes and processes. BAB, Inc. will derive revenue in the form of a license fee on your purchases of proprietary muffin mix and other bakery products from the designated source under a licensing agreement between BAB, Inc., an affiliate of BAB, and the designated source.

You must purchase from BAB's designated supplier your initial and ongoing inventory of private label items, including but not limited to branded disposables and catering packaging.

In its fiscal year ended November 30, ~~2024~~~~2023~~, BAB, Inc. derived license fee revenue of ~~\$88,705~~~~80,490~~ from coffee purchases, ~~\$2,472~~~~849~~ from cream cheese purchases, ~~\$3,384~~~~797~~ from frozen bagels purchases, and ~~\$108,805~~~~93,646~~ from purchases of muffin mix and bakery products by Franchisees, including My Favorite Muffin Franchisees as well as BAGELS Franchisees.

You must obtain exterior and interior signage, menu panels and certain printed promotional tools from our designated supplier, which is an independent third party. Prior to December 2017, our designated supplier for these same items was BAB Operations, Inc., an affiliate of BAB, which

derived revenue from franchisee purchases of said services. A small selection of these items continue to be supplied by BAB Operations, Inc. In its fiscal year ended November 30, 2024~~2023~~, BAB Operations, Inc. derived \$2,278~~1,379~~ in revenue from these purchases

If you purchase equipment from a certain supplier approved by BAB, which supplier furnishes BAB blueprints for your Store (at BAB's expense), BAB may derive revenue or other material consideration from that supplier, either in the form of a partial reimbursement of the cost of the blueprints, or a credit toward future obligations of BAB to that supplier.

You must purchase fountain beverage products from an authorized distributor of Coca-Cola. BAB, Inc. entered into a beverage marketing agreement (the "Beverage Marketing Agreement") with Coca-Cola on December 9, 2015. You will have the right to purchase fountain beverage products at Coca-Cola's then-current published chain account prices, which prices are subject to change from time to time. In its fiscal year ended November 30, 2024~~2023~~, BAB, Inc. derived revenue of \$16,644~~21,722~~ from Coca-Cola.

As of the date of this Franchise Disclosure Document, there are no other goods, services, supplies, fixtures, equipment, inventory, computer systems or real estate which you must purchase from BAB or any designees. However, BAB reserves the right to require you to purchase additional items from BAB or its designated source in the future. BAB or its affiliates may derive revenue or other material consideration from your purchases from BAB or its designated source in the future.

In its fiscal year ended November 30, 2024~~2023~~ BAB did not derive any revenue or other material consideration from your other purchases or leases. However, some suppliers pay a rebate to the Marketing Fund from purchases made by My Favorite Muffin Franchisees, based on the agreed-upon dollar amount of rebate per specific quantities of products purchased.

In order to maintain the high standards of the BAB Stores, you must use in the development and operation of the Store only those brands and models of equipment, fixtures, furniture, POS (Point-of-Sale) Systems, fax machines, credit card processor, exterior and interior signs, decor items, tableware, merchandise, materials and supplies for use in operation of the Store which meet BAB's specifications and quality standards and/or are purchased from suppliers approved by BAB. You must purchase all food and drink products (other than bagels, coffee, cream cheese, muffin mix and Coca-Cola described above) from suppliers approved by BAB. BAB reserves the right to require that certain food and drink products or additional food and drink products be purchased exclusively from BAB, its affiliates or other designated sources in the future.

For each Store you own, you must purchase a POS System, credit card processor, computer, monitor and Internet service provider that meet BAB's standards and specifications. BAB may require you to lease proprietary software from BAB or a third party designated by BAB, and to enter into a software License Agreement with BAB or such third party. Upon BAB's request, you must purchase our designated equipment and/or software that will process BAB authorized gift cards and/or the BAB loyalty program ("Gift Card/Loyalty Program"), as well as credit card transactions and mobile pay.

Except as described above, neither BAB nor any of its affiliates are currently approved suppliers of any other equipment, fixtures, furniture, decor items, tableware, merchandise, material, supplies, POS System, credit card processor, computer, monitor, software, terminal, or food or drink products. Other than the revenue and rebates described above, neither BAB nor its affiliates has derived revenue or other material consideration from these required purchases.

These purchases which must be made in accordance with BAB's specifications or from suppliers approved by BAB represents approximately 90% of your total purchases in establishing your Store and approximately 35% of your total expenses in operating the Store.

We will provide you, in the Operations Manuals and the training materials, standards, specifications and names of approved suppliers. BAB may modify the standards and specifications and the list of approved suppliers. We notify you of updates and modifications to our standards and specifications by mailed bulletins and/or broadcast electronic mail.

If you propose to purchase or lease any equipment, fixtures, furniture, POS Systems, signs, decor items, tableware, merchandise, materials, products, supplies or services not previously approved by BAB or from suppliers not previously approved by BAB, you must submit a written request to BAB for approval prior to your use of the item. BAB will consider any request by you for approval of a potential supplier or modification of a standard or specification. If BAB requests you to do so, you must also submit to BAB sufficient specifications, photographs and/or other information or samples for examination and/or testing. BAB will communicate to you within 60 days its determination on whether it approves the supplier or item for your use. BAB can charge you a fee between \$1,000 to \$5,000 to cover its expenses in testing or inspecting any item. BAB will issue you its criteria for approving suppliers upon written request.

BAB reserves the right to revoke its approval of any food products at any time upon written notice to you, provided that you may continue to offer and sell all remaining on-hand or ordered inventory of such product as of the date of receipt of written notice from BAB.

BAB and BAB, Inc. are not approved suppliers of any products or services you must purchase. BAB Operations, Inc. is an approved supplier, but not the only approved supplier of exterior and interior signage, menu panels and certain printed promotional tools.

There are no approved suppliers in which any of our officers has an ownership interest.

There are no purchasing or distribution cooperatives. BAB has negotiated from time to time, and may in the future negotiate, arrangements with suppliers for the purchase of food products to be offered by its franchisees. BAB reserves the right to arrange with said suppliers to pay a rebate to the Marketing Fund from purchases made by BAGELS Franchisees and if any are developed in the future, Company-owned Stores.

BAB does not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

The insurance policies you must purchase and maintain throughout the term of the franchise must be issued by an insurance carrier duly admitted in the Store's state, with an A.M. Best rating not less than A-, and acceptable to BAB. You must maintain coverage for: Workers Compensation including Employers Liability in the limit of no less than \$500,000; Comprehensive General Liability of no less than \$1,000,000 per occurrence with a General Aggregate of no less than \$2,000,000; Products Liability of \$2,000,000; Employment Practices Liability of no less than \$500,000; Cyber Liability of no less than \$1,000,000; Property Insurance in the amount of the replacement cost for stock, inventory, equipment and improvements and betterments; Business Interruption in an amount equal to at least 12 months of your gross revenue, and coverage for equipment breakdown in the minimum amount of \$25,000; and an Umbrella Policy of no less than \$1,000,000. In addition, if you use a vehicle to deliver product or supplies, you must maintain coverage for Comprehensive Auto Liability coverage of no less than \$1,000,000. Further, if any of your employees ever use a vehicle for company business, the Comprehensive General Liability insurance must include "Hired and Non-Owned" automobile liability coverage of no less than \$1,000,000. The cost of insurance will vary based on the types and limits of the insurance you purchase and other factors affecting risk exposure. BAB may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You must name on each insurance policy described in this paragraph BAB Systems, Inc. (500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015) as additional insured on a primary and noncontributory basis. The policy must provide for 30 days' prior written notice to BAB of any material modification, cancellation or expiration of the policy unless prohibited by local insurance regulations. All policies must have a waiver of subrogation in favor of BAB

B. AREA DEVELOPMENT AGREEMENT

The Area Development Agreement does not contain any provisions requiring you as Developer to purchase or lease in accordance with specifications or from approved suppliers. As to each BAGELS Store you open, you will have the obligation to purchase or lease in accordance with BAB's specifications or from approved suppliers as are in the then current standard form of Franchise Agreement. The obligations under the current Franchise Agreement are discussed above.

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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.

A. FRANCHISE AGREEMENT

Obligation	Section in Franchise Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
a. Site Selection and acquisition/lease	3.a.	11
b. Pre-opening purchases/leases	3.a.,3.b., 3.c.	7, 8
c. Site development and other pre-opening requirements	3.b., 3.c.	7, 11
d. Initial and ongoing training	4.a., 4.b.	6, 11, 15
e. Opening	3.e.	11
f. Fees	8, 13	5, 6, 7
g. Compliance standards /Operations Manual	4.c., 9	8, 11, 14, 16
h. Trademarks and proprietary information	5, 6	11, 13, 14
i. Restrictions on products/services	9.a., 9.b., 9.c.	8, 16
j. Warranty and customer service requirements	9.c., 9.d.	16
k. Territorial development	Not Applicable	Not Applicable
l. Ongoing product/service purchases	9.a., 9.b.	8, 16
m. Maintenance, appearance and remodeling	3.d., 9.a., 9.b., 9.c.	16
n. Insurance	9.g.	6, 7, 8
o. Advertising	9.d., 10	6, 7, 11
p. Indemnification	7.d., 7.e., 9.b.viii	6, 13
q. Owner's participation/ management staffing	4.a., 4.b., 9.e.	15
r. Records/reports	11	6
s. Inspections/audits	12	6, 11
t. Transfer	14	6, 17
u. Renewal	2.b.	6, 17
v. Post-termination obligations	17	17
w. Non-competition covenants	9.f., 17.d.	17

Obligation	Section in Franchise Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
x. Dispute resolution	18	6, 17
y. Liquidated damages	17.g.	6
z. Guarantee of franchisee obligations	Rider C	15

B. AREA DEVELOPMENT AGREEMENT

Obligation	Section in Area Development Agreement	Item in Franchise Disclosure Document
a. Site Selection and acquisition/lease	2.A., 5.A.	11
b. Pre-opening purchases/leases	3.C.	1, 8, 12
c. Site development and other pre- opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	11
f. Fees	6	5, 6, 7
g. Compliance with standards and policies/Operations Manual	Not Applicable	Not Applicable
h. Trademarks and proprietary information	8	13
i. Restrictions on products/services	Not Applicable	16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	3.C.	1, 11, 12
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	14	6
q. Owner's participation/ management/staffing	9	15
r. Record/reports	Not Applicable	Not Applicable
s. Inspections/audits	Not Applicable	Not Applicable

Obligation	Section in Area Development Agreement	Item in Franchise Disclosure Document
t. Transfer	12.A., 12.B., 12.C	6, 17
u. Renewal	Not Applicable	17
v. Post-termination obligations	11	17
w. Non-competition covenants	7.C, 11.C.	15, 17
x. Dispute resolution	13.G.	6, 17
y. Liquidated damages	Not applicable	Not applicable
z. Guarantee of franchisee obligations	Rider C	15

Item 10. FINANCING

BAB does not offer direct or indirect financing to you. BAB does not guarantee your note, lease or obligations.

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**Item 11. FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS AND TRAINING**

Except as listed below, BAB need not provide any assistance to you.

Before Opening of the Store

BAB will provide the following services and guidance in connection with the establishment of your unit, whether a Production Store or a Satellite Store:

BAB or its delegate will assist you in selecting a site for the Store (Paragraph 3.a, Franchise Agreement). However, you are responsible for locating the site.

BAB provides you basic drawings and specifications for the development of a BAGELS Store. You must take these drawings and specifications to a licensed architect who will modify them, if required, to meet applicable ordinances, buildings codes or permit requirements. BAB must approve any such modifications to the drawings and specifications (Paragraph 3.b, Franchise Agreement).

For each of your Production Stores and Satellite Stores, BAB lends you a BAGELS Store Operations Manual (the "BAGELS Operations Manual"), and such related types of materials and charts (Paragraph 4.c., Franchise Agreement). The Table of Contents of the BAGELS Operations Manual is attached as Exhibit Q. As of the issuance date of this Franchise Disclosure Document, the total number of pages in the BAGELS Operations Manual was 289.

BAB furnishes an initial training program which is described in more detail later in this Item (Paragraph 4.a, Franchise Agreement).

BAB will furnish guidance to you on purchasing approved equipment, signs, fixtures, opening inventory, and supplies. BAB does not provide, deliver, or install such items directly; it only provides names of approved suppliers and/or written specifications for these items. (Paragraph 4.b., Franchise Agreement).

For each Store you own, you must purchase a POS (Point-of-Sale) System, credit card processor, computer, monitor, printer and Internet service provider that meet BAB's standards and specifications. You must record all sales on the POS System as designated by BAB. The cost to purchase a combination fax machine/printer ranges from \$150 to \$450. The POS System and software are not proprietary to BAB. The principal function of this equipment is to record sales and individual product sales, as well as sales by hour and half-hour. It is also used for computing sales tax, to provide individual and group product information and as an employee time clock. The current cost to purchase the POS System with one POS register is approximately \$2,200. The cost to purchase the POS system with two POS registers is approximately \$4,400. Both prices include the Emerge POS and thermal printer, cash drawer, software, shipping and installation. In addition there is a monthly fee of \$95 (for one POS system) or \$116 (for two POS system) for the software

license and software maintenance. The hardware and software manufacturers have no obligation to provide ongoing maintenance, repairs, upgrades or updates. The cost of the BAB arrangement with MicroSale includes the first year of hardware maintenance. Additional coverage can be purchased for subsequent years. You are under no contractual obligation to extend your maintenance coverage. You are under a contractual obligation to upgrade your computer system; we are unable at this time to predict your annual costs for possible upgrades. There are no limits on the frequency or cost of the contractual obligation to upgrade the computer systems. You shall be solely responsible for protecting the POS System and related software/hardware from viruses, computer hackers, and other computer-related and technology-related problems. A credit card processing system must be purchased at an estimated cost of \$300 to \$500.

BAB has the right to independently poll your POS System (via modem, the cloud, or any other Internet-based technology available to BAB) at any time to obtain sales data, in order to gather sales trend data, product mix information, or any other purpose BAB in its sole discretion deems appropriate.

Upon BAB's request, you must purchase our designated equipment and/or software that will process BAB authorized gift cards and/or the BAB loyalty program ("Gift Card/Loyalty Program), as well as credit card transactions and mobile pay. Currently there is no processing equipment or software for gift cards or mobile pay, but we reserve the right in the future to require you to obtain it as it becomes available. You must offer for sale BAB Gift Cards and the Loyalty Program, which must be in the form and version we designate and approve.

We use email and fax for many of our communications with our franchisees. You must have Internet and email access with high-speed Internet service (DSL or cable). You must also maintain a fax machine in good operating condition, which must be set on "Automatic Receive," with a dedicated phone line. Unless you have another method to access Internet and e-mail, you must purchase computer hardware and software, as well as the services of an Internet provider to enable you to access BAB's intranet and use vendor on-line ordering systems. BAB may require you to lease proprietary software from BAB or a third party designated by BAB, and to enter into a software License Agreement with BAB or such third party. BAB reserves the right to access information and data pertaining to your Store produced by and/or stored on your computer system. There are no contractual limits on BAB's right to access the information. As technology advances, you must comply with our requirements, as described in the BAGELS Operations Manual or via Policy Statement, in order for us to be able to communicate with you. The information and data we may access includes that of any Third Party Delivery Service companies through which customers purchase menu items from your Store. You must, upon our request, furnish us with access information to the websites of any Third Party Delivery Service being used in order to enable us to verify your Gross Revenues from all sources.

After the Opening of the Store

During the operation of the Store:

BAB will provide additional training at your location near the time of the Store opening. Such training will be given by an employee of BAB (Paragraph 4.a, Franchise Agreement). This additional training may be conducted in different locations and ways, in the event of circumstances beyond BAB's control. For example, in the event of a pandemic or health emergency, BAB's conduct of additional training, which contemplates face-to-face contact, on-site presence, and/or travel, will be considered adequately fulfilled if BAB substitutes or modifies the activities in a manner that does not involve such face-to-face contact, on-site presence, and/or travel.

BAB continues to lend you the BAGELS Operations Manual and may provide you modifications to the manual to reflect changes in specifications, standards and operating procedures (Paragraph 4.c, Franchise Agreement).

BAB will furnish guidance to you on: (1) specifications, standards and operating procedures utilized by BAGELS Stores, and any modifications; (2) purchasing approved equipment, furniture, POS Systems, signs, operating materials and supplies; (3) methods of food preparation and sale and improvements thereon; and (4) the establishment and maintenance of administrative, bookkeeping, accounting and general operating and management procedures. This guidance may be in the form of the BAGELS Operations Manual, Franchisee intranet, bulletins, written reports and recommendations, other written materials or by consultations by telephone or consultations in person at your Store or BAB's corporate offices (Paragraph 4.b., Franchise Agreement).

BAB will defend you in any legal proceeding brought against you by reason of your proper use of the Marks (Paragraph 5.f, Franchise Agreement).

BAB may conduct market research and testing to determine consumer trends and the salability of new products and services (Paragraph 9.a, Franchise Agreement).

BAB will conduct such testing and review as necessary to determine whether a product or supplier proposed by you should be approved (Paragraph 9.b, Franchise Agreement).

BAB will administer a Marketing Fund to conduct marketing and promotional programs (Paragraph 10.a., Franchise Agreement).

BAB will review all local advertising and promotional materials which you propose to use and determine whether the advertising should be approved for use (Paragraph 10.b.iii., Franchise Agreement).

BAB will interview and evaluate any proposed purchaser of said Store to determine whether the transferee meets its then-current qualifications for franchisees (Paragraph 14.b, Franchise Agreement).

BAB reviews the raw ingredient costs of menu items and provides you suggested retail pricing. These are suggestions only, and you are free to establish your own prices.

BAB may delegate to a third party some or all of the ongoing services listed above.

Marketing and Promotion

There will be a Big Apple Bagels Marketing Fund shared by all BAGELS Franchisees, to which all BAGELS Franchisees will contribute.

You must contribute 3% of your Gross Revenues to the Marketing Fund, which is intended to maximize recognition of the Marks and patronage of BAGELS Stores. BAB can increase the amount you must contribute to the Fund, but the increased amount will not exceed the Marketing Fund contribution required of franchisees under BAB's then-current form of Franchise Agreement, and never greater than 5% of your Gross Revenues. Stores owned by BAB or its affiliates will contribute to the Fund on the same basis as franchisees.

BAB will spend a portion of your Marketing Fund Contribution on local advertising in your market. BAB will determine how and in what amounts the monies are spent, and BAB does not make any representation that any specific amount or percentage of your payments to the Marketing Fund will be used on local advertising in your market or for your Store.

Other than spending a portion of your Marketing Fund Contribution on local advertising in your market as described above, BAB is not obligated to spend any amount on advertising in the area where your Store is located.

BAB will direct all marketing programs financed by the Marketing Fund with sole discretion over the creative concepts, materials and endorsements and the geographic market and media placement and allocation. The Marketing Fund is intended to maximize recognition of the Marks and the BAGELS Stores. BAB is not obligated to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that you or any particular franchisee benefits directly or proportionately from expenditures by the Marketing Fund.

The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; employing advertising agencies; and supporting public relations, market research, customer surveys and other feedback methods, social network and technology application marketing programs, and other advertising and marketing activities.

The Marketing Fund will be accounted for separately from the other funds of BAB and will not be used to defray any of BAB's general operating expenses, except for such reasonable salaries, administrative costs and overhead as BAB may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs, including conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund.

BAB has utilized the Marketing Fund for print advertising, in-store signage, phone apps, radio, Internet (both website and social media) and billboards. The advertising materials have been generated both in-house and by an outside agency.

Marketing Expenditures: The Fund is not audited, but reports are available for review by the franchisee upon written request. In the year ending November 30, ~~2024~~2023, the BAB Systems Marketing Fund was expended in the following manner: 1.34% on creative, ~~49.3~~47.5% on media, ~~22.3~~21.6% on production, and ~~27.1~~29.5% on administrative.

BAB's other concepts, My Favorite Muffin and SweetDuet, each have a marketing fund for its franchisees. The advertising conducted by the Big Apple Bagels Marketing Fund may promote the products of the My Favorite Muffin and the SweetDuet stores as well as your own products. Despite the "spill-over" benefit of such promotions none of the 3 Marketing Funds will pay or contribute to the other for such benefit.

Stores operating under a License Agreement (as distinguished from a Franchise Agreement) do not contribute to the Marketing Fund.

We will not use Fund contributions to create or place any advertisement that is principally a solicitation for new franchises, but we reserve the right to include in any advertising prepared from Fund contributions (including Internet advertising) information concerning franchise opportunities.

If all Marketing Fund contributions are not spent in the fiscal year in which they accrue, the monies are simply rolled over for use in the next year. BAB may terminate the marketing program by giving 30 days written notice of such termination. BAB will have the right to reinstate the marketing program under the same terms and conditions by giving you 30 days prior written notice of said reinstatement.

There is no advertising council composed of franchisees that advises us on advertising policies.

Other than utilizing the Marketing Fund as described above, BAB is not obligated to conduct advertising for the franchise system.

Local Advertising.

You must conduct a Grand Opening marketing campaign that meets our approval. It must be conducted beginning at least 4 weeks after opening for business. You must pay us the Store Opening Marketing Fee, which will be used in connection with your Grand Opening as well as for local advertising for your Store during the initial few months of operation. The Store Opening Marketing Fee is \$7,500 for a BAGELS Production Store and \$3,000 for a BAGELS Satellite Store. If you are purchasing an existing BAGELS Store (transfer), the Store Opening Marketing Fee is \$1,000, which will be used to conduct a "re-Grand Opening" within 8 weeks of re-opening the Store.

In addition to the Grand Opening, you must spend at least 2% of your Gross Revenues on ongoing local advertising. The 2% is a minimum requirement and BAB encourages you to spend more than 2% on local advertising. We may require you to submit receipts, invoices, and other documentation to verify compliance with this requirement. Payment of your 3% Marketing Fund Contribution does not fulfill this obligation. BAB will use a portion of your Store Opening Marketing Fee for local marketing during the initial few months of your Store's operation.

If at the time you sign a Franchise Agreement, a local advertising cooperative is in existence, or if after you sign a Franchise Agreement, a local advertising cooperative is formed in the area where your BAGELS Store is to be located, you must participate. Currently there are no local advertising cooperatives in existence. All aspects of the formation and operation of the cooperative are determined by the members of the cooperative who are not BAB-owned or affiliate-owned Stores; such aspects include the budget, members' contribution, area, membership of the cooperative, voting rights, responsibility for administration, the governing documents, the preparation of financial statements, and the availability of those statements for review by you. BAB does not have the power to require cooperatives to be formed or to change, dissolve, or merge existing cooperatives. BAB-owned or affiliate-owned Stores are not required to participate in any local co-operatives, however if they do participate, BAB-owned or affiliate-owned Stores shall have no voting rights or power to dictate the operation of any local advertising co-operative. Franchisor-owned outlets have no voting power on fees imposed by franchisee cooperatives.

You are permitted to use your own advertising material only after receiving written approval from BAB.

You are strictly prohibited from creating a Social Media account or posting anything on Social Media sites involving your Store or that uses our Marks. We reserve the right to require you to obtain our approval of any message involving your Store or that uses our Marks that you send or post over Social Media. We have the sole right to control all aspects of Digital Marketing, including those related to your Store. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to your Store. If we do give you written consent to conduct any Digital Marketing, you must do so in compliance with our guidelines, specifications, standards, policies or procedures we may issue relating to Digital Marketing.

Site Selection and Store Opening

BAB must approve the site for your BAGELS Store. You must locate the site, using a licensed real estate broker who specializes in commercial real estate. You must submit detailed site information to BAB as BAB prescribes. BAB considers the following factors in approving a site: the demographic characteristics, traffic patterns, parking, character of neighborhood, competition from other businesses within the area, the proximity to other businesses (including other BAGELS Stores), and the size, appearance and other physical characteristics of the site. The lease for the site must include certain provisions required by BAB and stated in the Franchise Agreement. BAB does not generally own the premises for a BAB Store and lease it to a franchisee.

If you sign a Preliminary Agreement, then, under Paragraph 5 of that Agreement, BAB will expend such time and effort and incur such expense as may reasonably be required to inspect sites you propose. If you submit at least 1 site to BAB within the 60 days, but the site is not approved, BAB may, at any time thereafter at its sole discretion, either grant an extension to the above referenced 60 day period or terminate the Preliminary Agreement. If BAB elects to terminate the Preliminary Agreement, it shall refund all but \$3,000 of the deposit. If you fail to submit even 1 site to BAB within the 60 days, you will not be entitled to a refund of any of the deposit. If you fail to locate a site we approve, you will not be granted a franchise. If you and BAB cannot agree on a site, and you have signed a Preliminary Agreement, then we will not enter into a Franchise Agreement with you. Refundability of a portion of the deposit will depend on the timing and circumstances described above.

If you elect not to sign a Preliminary Agreement, BAB will approve or disapprove a site you select within 15 business days of the date we receive all the information we require regarding your proposed site, which may include a site visit. You must select a site and submit it to us for our approval within 90 days of signing the Franchise Agreement. If you fail to do so, BAB can terminate your franchise, and none of your Franchise Fee will be refunded. If you and BAB cannot agree on a site, and you have not signed a Preliminary Agreement, BAB can terminate your franchise, and none of your Franchise Fee will be refunded.

The estimated length of time from the date the Franchise Agreement is signed to the opening of the Store ranges from 6 to 12 months. If your Store is located in a center that has not yet been constructed, this time estimate may be significantly longer. Factors affecting this length of time include site selection, local ordinance compliance questions, build-out and leasehold improvements, contractor delays, delivery of inventory and equipment and successful completion of the initial training program.

By the terms of the Franchise Agreement, you must open your Store within 6 months of obtaining possession of the site and no later than 12 months of signing the Franchise Agreement.

Training

Production Store Training

You (or, if you are a corporation, partnership, or limited liability company, its controlling shareholder, managing partner, or member) must complete the Production Store initial training program to BAB's satisfaction prior to opening your business. The initial training program is held generally no more than 4-6 weeks prior to opening. It consists of classroom and/or online instruction via a telecommunication platform such as Zoom, and in-store operations experience. You may bring 1 additional individual to training, either a co-owner or employee. Additional operational training is held for you and your staff at your BAGELS Store near the time of the store opening. The total time provided for training will be for a minimum of 10 days and a maximum of 18 days. Training will be conducted as needed, so new Franchisees will not have to wait more than 1 month after they are ready for training, per BAB's criteria. Training will consist of all phases of the operation including unit operations, bookkeeping, financial controls, local Store marketing, customer service, and employee relations.

If you have purchased or are in the process of purchasing an existing Store from another franchisee in an approved transfer, the initial training program will not include topics relating to developing and opening a new store and will therefore be shorter in duration than the training chart below.

Satellite Store Training

For the Satellite Store, we reserve the right to require you to attend Satellite Store training. If we do not require you to attend it, it is then at your option to participate in either the classroom, online, or store operations training, or none of the previously listed trainings, at our discretion. The initial training program is held generally no more than 4-6 weeks prior to opening. You may bring 1 additional individual to training, either a co-owner or employee. Additional operational training is held for you and your staff at your Satellite Store around the time of the store opening. The total time provided for training will be for a minimum of 3 days and a maximum of 18 days. The training for a Satellite Store could be as short as 3 days, because the Franchisee taking this training is typically an existing franchisee opening the Satellite Store as an additional location. Training will be conducted as needed, so new Franchisees will not have to wait more than 1 month after they are ready for training, per BAB's criteria. Training will consist of all phases of the operation including unit operations, bookkeeping, financial controls, local Store marketing, customer service, and employee relations.

Although there are no additional fees for the Production or Satellite Store training program, you must pay your own travel and living expenses incurred in attending the initial training program.

The following tables summarize the Production Store and the Satellite Store training programs:

Production Store Training Program

SUBJECT	HOURS OF CLASSROOM OR ONLINE TRAINING	HOURS OF OPERATIONAL TRAINING	LOCATION*
Point of Sale/Credit Card Processing	1 – 2	5 – 12.5	Online or BAB's Training Facility; see below (*)
Store Equipment	0 – 1	2 – 4	
Bagel Preparation	0	12 – 25	
Beverages, Overview & Preparation	1 – 1.5	4 – 12	
Muffin Preparation	0	4 – 8	
Deli Product Preparation	0	14 – 28	
Store Opening Procedures	0	2	
Store Closing Procedures	0	2	
Customer Service Procedures	1.75 – 2.25	8 – 18	
Accounting/Weekly Reporting Compliance	0.5 – 0.75	1	
Insurance	0.75	0	
Daily Administration	0	2	
Marketing	2 – 3	1	
Internal Theft/Cash Management	0.25	0.5	
Financial Management Overview	0.5	0	
Cost of Goods Sold/Inventory	0.5 – 1.25	2 – 6	
Ordering	0	3 – 4	
Compliance & Franchise Relations	0.75	0	
Regulatory Compliance	1.0	1.0	

SUBJECT	HOURS OF CLASSROOM OR ONLINE TRAINING	HOURS OF OPERATIONAL TRAINING	LOCATION*
Food Safety & Sanitation	0.5 – 0.75	2	
Recruiting, Hiring Orientation and Training	1 – 1.5	1	
Vendor Orientations	0 – 1.75	0	
Time Management	0.5	0	
Labor Scheduling	0.75 – 1.25	4	
Gift Baskets	1	1	
Misc. (quizzes, working lunches, graduation, etc.)	4 – 6	0	
Store Development Meetings	2 – 4	0	
Reading Homework	3 – 6	4 – 8	

Satellite Store Training Program

SUBJECT	HOURS OF CLASSROOM OR ONLINE TRAINING	HOURS OF OPERATIONAL TRAINING	LOCATION*
Point of Sale/Credit Card Processing	0 – 2	3 – 10	Online or BAB's Training Facility; see below (*)
Store Equipment	0 – 1	2 – 4	
Bagel Preparation	0	3 – 15	
Beverages, Overview & Preparation	0 – 1.5	3 – 8	
Muffin Preparation	0	4 – 8	
Deli Product Preparation	0	4 – 18	
Store Opening Procedures	0	1 – 2	

SUBJECT	HOURS OF CLASSROOM OR ONLINE TRAINING	HOURS OF OPERATIONAL TRAINING	LOCATION*
Store Closing Procedures	0	1 – 2	
Customer Service Procedures	0 – 2.25	4 – 15	
Accounting/Weekly Reporting Compliance	0 – 0.75	1	
Insurance	0 – 0.75	0	
Daily Administration	0	1 – 2	
Marketing	0 – 2	0 – 1	
Internal Theft/Cash Management	0 – 0.25	0 – 0.5	
Financial Management Overview	0 – 0.5	0	
Cost of Goods Sold/Inventory	0 – 1.25	2 – 4	
Ordering	0	1 – 3	
Compliance & Franchise Relations	0 – 0.75	0	
Regulatory Compliance	0 – 1.0	0 – 1.0	
Food Safety & Sanitation	0 – 0.75	0 – 2	
Recruiting, Hiring Orientation and Training	0 – 1.5	0 – 1	
Vendor Orientations	0 – 1.75	0	
Time Management	0 – 0.5	0	
Labor Scheduling	0 – 1.25	0 – 3	
Gift Baskets	0 – 1	0 – 1	
Misc. (quizzes, working lunches, graduation, etc.)	0 – 6	0	
Store Development Order Meetings	0 – 4	0	
Reading Homework	0 – 6	0 – 8	

*Currently the training time designated as being “Classroom or Online” is held either at

BAB's corporate offices at 500 Lake Cook Road, Deerfield, Illinois or via a telecommunication platform such as Zoom. The training time designated as "Operational Training" is held at a designated operational franchise Store for the initial training and later at the franchisee's own new store. The location of the initial training program is subject to change. In addition, the training program may be conducted in different locations and ways, in the event of circumstances beyond BAB's control. For example, in the event of a pandemic or health emergency, BAB's performance of its obligations relating to the training described above, which contemplate face-to-face contact, on-site presence, and/or travel, will be considered adequately fulfilled if BAB substitutes or modifies the activities in a manner that does not involve such face-to-face contact, on-site presence, and/or travel. For transferees, some of the training may be conducted in the Store being purchased instead of in another store.

The materials used to teach these subjects are a combination of tools including the BAGELS Operations Manual, supplemental handouts, video presentations and lecture.

The training program is currently under direction of Kenneth Liczwek, Director of Operations. Ken is a business professional that has over 30 years of experience in operations and multi-unit store training. Also participating in training are staff members of BAB who provide instruction in their specific areas of expertise and the franchisee of the designated training store. Staff members have at least 5 years' experience in the field and with BAB relevant to the subject taught. The franchisee of the designated training store has over 10 years of experience operating the store. BAB reserves the right to make changes in training staff at any time.

Additional Training Programs. BAB may also provide refresher and supplemental training programs; however, none is planned at this time. You must attend the refresher or supplemental training programs. You will be responsible for your transportation and living expenses in attending training.

Regional or National Conventions. BAB may from time to time conduct regional or national conventions, which may or may not include refresher or supplemental training. You must attend such regional or national conventions. You will be responsible for your transportation and living expenses in attending conventions.

AREA DEVELOPMENT AGREEMENT

BAB must approve the site and location for each BAGELS Store that you open under the Area Development Agreement. The then-current standards for sites will apply

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Item 12. TERRITORY

A. FRANCHISE AGREEMENT

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may establish other franchised or company owned locations that may compete with your location.

You are granted the right to operate a BAGELS Store from 1 specified location only. Your franchise is for a specific location, and not for an area approved by us. There is no minimum territory granted to you.

We will approve relocation of your Store if your lease terminates without your fault or expires without any possibility of renewal on commercially reasonable terms as determined by BAB. We will also approve relocation if in our judgment there is a change in the character of your Store location sufficiently detrimental to its business to warrant relocation. You must obtain our prior written approval before opening your new Store. You may not open your new or relocated Store unless our representative is on-site at the opening, unless you request a waiver in writing, and we approve it in writing. Even if we waive the requirement of on-site presence, you must obtain our written authorization of the specific date that the Store may open. In the event of relocation, we and you will enter into an agreement which will set forth the new location for your Store and a deadline by which you must open for business at the new location, after which time you will be obligated to resume paying the royalty fee and Marketing Fund Contributions whether or not the new location has opened for business. Until such time that the new location is open for business, the amount of the royalty fee and Marketing Fund Contribution will be based on your average weekly level of Gross Revenues during the one year period prior to closing the first Store. We have the right to charge you for services we render to you in connection with your relocation, including reimbursement of our costs for reviewing and approving the new location and the construction drawings for the Store at its new location.

You have no options, rights of first refusal or similar rights to acquire additional franchises in any other locations.

BAB (on behalf of itself and its affiliates) retains the right, in its sole discretion, without restriction:

- (1) to itself operate, or to grant other persons the right to operate, BAGELS Stores at such locations and on such terms and conditions as BAB deems appropriate; and
- (2) Within your territory, to sell the products and services authorized for BAGELS Stores under the Marks through such similar and dissimilar channels of distribution (including the Internet, catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as BAB deems appropriate

“alternative distribution channels”). You will receive no compensation for such sales by BAB.

(3) Within your territory, to sell the products and services authorized for BAGELS Stores under other trademarks, service marks and commercial symbols through such similar and dissimilar channels of distribution (including the Internet, catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as BAB deems appropriate “alternative distribution channels”). You will receive no compensation for such sales by BAB.

(4) to acquire or be acquired by a company establishing businesses identical or similar to the BAGELS Store, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including in close proximity to the BAGELS Store.

You may not independently solicit for business, promote the business, and/or offer and sell products authorized under the Franchise Agreement through the use of a toll-free number, catalog, any electronic service including the Internet, Social Media, Mobile Application or Digital Marketing. All promotions and sales by you other than from your physical Store must be through programs or applications coordinated by BAB.

BAB currently does not have a prescribed method for resolving any conflicts between BAB and its franchisees regarding territory, customers or franchisor support. BAB anticipates that each situation would be handled on a case by case basis.

BAB may sell Branded Products via the Internet from future company-owned locations it may operate to customers regardless of their location.

C. AREA DEVELOPMENT AGREEMENT

You will receive an exclusive territory under the Area Development Agreement so long as you comply with your obligations under that Agreement, including meeting your Development Obligations by opening the required number of Stores. If you fail to meet your obligations, we have the right to terminate your Area Development Agreement. In that event, you will lose the right to open any additional BAGELS Stores. You will also lose exclusive rights to the Exclusive Area described in the Area Development Agreement, and we may thereafter grant franchises for any BAGELS Stores anywhere in said Exclusive Area. You also lose exclusive rights to any wholesale business in the Exclusive Area.

(1) Size of Protected Development Area

The Area Development Agreement grants Developer certain rights (as described below) within a designated geographical area (the "Protected Development Area") to be described in Rider A attached to the Area Development Agreement. The size of the Protected Development Area will vary,

based on the market potential and BAB's analysis of the financial and operational capabilities of Developer. It may be 1 or more counties in rural areas or a portion of a metropolitan statistical area in heavily populated major cities. The Protected Development Area is not based upon a minimum population.

(2) Rights During Development Periods

BAB: (1) will grant to Developer franchises for the ownership and operation of BAGELS Stores located within the Protected Development Area; and (2) will not operate (directly or through an affiliate), nor grant to any other franchisee a franchise for the operation of, any BAGELS Store to be located within the Protected Development Area. BAB and its affiliates specifically reserve the right to operate (directly or through an affiliate), or grant to others a nontraditional site.

(3) Development Obligation

During the term of the Area Development Agreement and any extensions, Developer must have signed leases for certain cumulative numbers of BAGELS Stores (including BAGELS Production Stores and BAGELS Satellite Stores) at the end of each Development Period ("Minimum Development Quota") and must have each Store open and operating within 120 days from the date Developer acquires possession of the site. The Development Periods and Minimum Development Quota will be determined by BAB on the basis of the market potential, size of the Protected Development Area, and BAB's analysis of the financial and operational capabilities of Developer, and will be inserted in Rider B to the Area Development Agreement prior to its execution. BAB may on occasion, in its sole discretion and on terms and conditions determined by BAB, grant extensions to the development schedule. The continuation of Developer's protected area as described above is not dependent on the achievement of a certain sales volume or market penetration or other contingency except as described above.

(4) Locations of Future Stores

BAB will approve the sites of future BAB Stores, using its then-current site criteria and standards. You do not receive any territorial designation or protection for your individual Stores.

(5) Store Closings

A BAGELS Store owned by Developer which is permanently closed with the approval of BAB after having been open shall be deemed open and in operation for purposes of the Minimum Development Quota if a substitute BAGELS Store is open and in operation within 6 months from the date of such closing. Such replacement Store shall not otherwise count toward such quotas.

C. Other Franchises or Company Owned Stores

Neither BAB, nor any of its affiliates has established franchised, company-owned, or affiliated-owned stores selling similar products or services under different service marks and trademarks, but they reserve the right to do so in the future.

Item 13. TRADEMARKS

A. FRANCHISE AGREEMENT

Under the Franchise Agreement, BAB grants you the right to use the trademarks and service marks listed below, and other such trademarks, service marks, and commercial symbols as BAB authorizes from time to time (collectively, the “Marks”).

The following marks have been registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”). All required affidavits and renewal applications have been filed.

Mark/ Registration No.	Class/Goods or Services	Registration Date
BABS' CHOICE Reg. No. 3523656	30/ Bakery products, namely bagels	October 28, 2008
BABS' DELI Reg. No. 3353830	43/ Restaurant services	December 11, 2007
BABS' DELI BIG APPLE BAGELS and Design  Reg. No. 3363516	43/ Restaurant services	January 1, 2008
BIG APPLE BAGELS Reg. No. 2260385	30/ Freshly-baked bagels 35/ Retail and wholesale outlets featuring freshly-baked bagels 42/ Restaurant services	July 13, 1999
BIG APPLE BAGELS and Design	30/ Freshly baked bagels and bread 35/ Retail shops featuring freshly baked bagels 43/ Restaurants featuring freshly	December 18, 2007

Mark/ Registration No.	Class/Goods or Services	Registration Date
 <p>Reg. No. 3355187</p>	baked bagels	
<p>BIG APPLE BAGELS and Design</p>  <p>Reg. No. 1820251</p>	42/ Restaurants and retail shops featuring freshly-baked bagels	February 8, 1994
<p>BIG APPLE BAGELS and Design</p>  <p>Reg. No. 1874045</p>	30/ Freshly baked bagels and bread	January 17, 1995
<p>BIG APPLE BAGELS XPRESS</p> <p>Reg. No. 3720614</p>	43/ Restaurant services	December 9, 2009
<p>BREWSTER'S</p> <p>Reg. No. 2869200</p>	30/ Coffee 43/ Restaurant services; coffee shop services	August 3, 2004

Mark/ Registration No.	Class/Goods or Services	Registration Date
<p>BREWSTER'S COFFEE FRESH ROASTED COFFEE and Design</p>  <p>Reg. No. 3421661</p>	<p>30/ Coffee 43/ Restaurant services; coffee shop services</p>	<p>May 6, 2008</p>
<p>FRENCH VELVET CREME Reg. No. 3254155</p>	<p>30/ Coffee</p>	<p>June 19, 2007</p>
<p>GET FRESH WITH US Reg. No. 3523657</p>	<p>42/ Restaurant services featuring bakery goods and coffees</p>	<p>October 28, 2008</p>
<p>ICEPRESSO Reg. No. 2261664</p>	<p>32/ Soft drinks and coffee-flavored soft drinks</p>	<p>July 13, 1999</p>
<p>JACOBS BROS. BAGELS Reg. No. 2611901</p>	<p>35/ Retail bakery store services and wholesale distributorship services in the field of bakery goods</p>	<p>August 27, 2002</p>
<p>MY FAVORITE MUFFIN Reg. No. 1514952</p>	<p>42/ Retail bakery store services</p>	<p>November 29, 1988</p>
<p>MY FAVORITE MUFFIN Reg. No. 2069258</p>	<p>30/ Bakery products, namely muffins</p>	<p>June 10, 1997</p>

Mark/ Registration No.	Class/Goods or Services	Registration Date
<p>MY FAVORITE MUFFIN and Design</p>  <p>Reg. No. 3705285</p>	<p>30/ Bakery products, namely muffins</p>	<p>November 3, 2009</p>
<p>MY FAVORITE MUFFIN and Design</p>  <p>Reg. No. 1878988</p>	<p>42/ Retail bakery store services</p>	<p>February 14, 1995</p>
<p>MY FAVORITE MUFFIN and Design (in Color)</p>  <p>Reg. No. 6167926</p>	<p>35/Retail bakery store services</p>	<p>October 6, 2020</p>
<p>PERFECTLY DELICIOUS, UNIQUELY DELIGHTFUL.</p> <p>Reg. No. 4738032</p>	<p>35/ Retail bakery store services</p>	<p>May 19, 2015</p>
<p>SOMETHING BIG IS ALWAYS BAKING.</p> <p>Reg. No. 4734473</p>	<p>43/ Restaurants featuring freshly baked bagels</p>	<p>May 12, 2015</p>
<p>SWEETDUET</p> <p>Reg. No. 4595650</p>	<p>43/ Restaurant services</p>	<p>September 2, 2014</p>

Mark/ Registration No.	Class/Goods or Services	Registration Date
SWEETDUET FROZEN YOGURT & GOURMET MUFFINS Reg. No. 4339902	43/ Restaurant services	May 21, 2013
 Reg. No. 4332891	43/ Restaurant services	May 7, 2013
YOU DESERVE A BETTER BAGEL Reg. No. 3969664	43/ Restaurant services featuring bakery goods and coffees	May 31, 2011
YOU DESERVE A BETTER COFFEE Reg. No. 3969665	43/ Restaurant services featuring bakery goods and coffees	May 31, 2011
YOU DESERVE A BETTER MUFFIN Reg. No. 3969666	43/ Restaurant services featuring bakery goods and coffees	May 31, 2011

You may only use the SweetDuet Marks if you have been authorized to offer SweetDuet frozen yogurt in your BAGELS Store.

The trademark and service mark “Big Apple Bagels,” plus design, has been used by Big Apple Bagels, Inc. since October 1985 in advertising, letterhead, and signage. On November 20, 1992 Big Apple Bagels, Inc. assigned its ownership interest in the mark to BAB Holdings, Inc., the predecessor to BAB, Inc. BAB derives the right to use the “Big Apple Bagels,” “My Favorite Muffin,” and “Brewster’s” Marks under a License Agreement dated November 30, 2003 with BAB, Inc. BAB derives the right to use the “BABS’ Deli.” Marks under a License Agreement dated February 1, 2006 (“License Agreement”) with BAB, Inc. Both License Agreements are referred to as “License Agreements” in this Franchise Disclosure Document.

The License Agreements do not limit the rights of BAB or our Franchisees to use the Marks. The initial term of the License Agreements was 10 years, with 5 automatic 5-year Extension Terms. The License Agreements may be terminated by BAB, Inc. in the event BAB: (i) fails to meet the quality standards in the License Agreements, (ii) misuses the Marks, (iii) fails to make payments due BAB, Inc., (iv) files or has filed against it bankruptcy, insolvency or like proceedings, (v) files or has filed against it proceedings to dissolve its corporate structure or for winding up, (vi) merges or otherwise comes under the shared or sole control or direction of any

other party, or (vii) sells all or substantially all of its assets. Upon expiration or termination of the License Agreements for any reason, BAB, Inc. will undertake to establish a means by which you may continue to use the Marks while your Franchise Agreement is in effect, so that your rights to use the Marks will not be terminated as a result of the termination or expiration of the License Agreements. BAB, Inc. shall have sole discretion over the means it selects for you to continue to use the Marks under those circumstances.

Information Regarding All Marks

BAB has the non-exclusive right to use the Marks only in connection with the offer and sale of franchises to third parties to own and operate franchised stores under the Marks under Franchise Agreements. Under the License Agreements BAB must furnish BAB, Inc. with samples of all Franchise Agreements, literature, brochures, advertising, videos, labels, manuals, signs, contracts and other materials prepared by BAB.

BAB's licenses are not exclusive, and BAB, Inc. has licensed others, including BAB Operations, Inc. to use or license the Marks. BAB, Inc. may in the future license others to use or license the Marks.

There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the above-referenced Trademarks. There are no other agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to you. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Trademarks in this state or any other state in which the franchised business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Trademark.

Except as otherwise stated above, there are no agreements currently in effect which significantly limit the rights of BAB to use or license the use of the above mentioned trademarks, service marks, trade names, logotypes, or other commercial symbols in any manner material to the franchise.

There are no infringing uses actually known to BAB which could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in the state in which your Store is to be located.

BAB has the right to require you to use new marks and to discontinue or modify your use of any name or commercial symbol. If it becomes advisable at any time, in BAB's sole discretion, for BAB and/or you to modify or discontinue use of any Mark and/or use 1 or more additional or substitute trademarks or service marks, you agree to do so within a reasonable time after notice by BAB. In the event BAB requires you to discontinue the use of any name or commercial symbol and

to use a substitute mark or commercial symbol, BAB's sole obligation will be to reimburse you your out-of-pocket expenses of complying with this obligation.

Under the Franchise Agreement, you acknowledge that your right to use the Marks is derived solely from the Franchise Agreement and is limited to the operation of the Store under and in compliance with the Franchise Agreement and all applicable standards and operating procedures prescribed by BAB from time to time. Any unauthorized use of the Marks by you constitutes an infringement of BAB's rights in and to the Marks. You agree that your use of the Marks and any good will established thereby inure to the exclusive benefit of BAB, and you acknowledge that the Franchise Agreement does not confer any good will or other interests in the Marks upon you. You may not any time during the Franchise Agreement or after its termination or expiration, contest the validity of ownership of any of the marks or assist any others in contesting the validity or ownership of any of the Marks.

You specifically agree to use the Marks as the sole identification of the Store, but you must identify yourself as the independent owner in the manner prescribed by BAB. You may not use any mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, nicknames, terms, designs or symbols, or in any modified form (including, without limitation, any local or special adaptations or artistic variations of any of the Marks), nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by BAB. You agree not to register the Marks on the Internet or any other electronic service, including Social Media and mobile marketing applications, or use or register the Marks on the Internet in any other manner. You are strictly prohibited from creating or maintaining a website for your Store, or a website that uses BAB's Marks. BAB has the sole right to create, establish, own, and control the website for your Store. You agree to display the Marks prominently and in the manner prescribed by BAB on signs, forms, and other materials and articles. Further, you agree to give such notices of trademark or service mark ownership or registration and copyrights as BAB specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. Any and all uses of the Marks will be subject to BAB's prior written approval, and a request for such approval will include such information and samples as BAB may require. You may not use the name "Big Apple Bagels," "BAB," or a derivative of those names in your corporate or other formal name.

Under the Franchise Agreement you must notify BAB immediately in writing of any apparent infringement or of challenge to your use of any Mark, or claim by any person other than BAB or its affiliates of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You may not communicate with any person other than BAB and its counsel in connection with such infringement, challenge or claim. BAB has sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You further agree under the Franchise Agreement to sign any and all instruments and documents, render such assistance and do whatever may be necessary or advisable to protect and maintain the interests of BAB in any such litigation, U. S. Patent and

Trademark Office proceeding or other administrative proceedings or otherwise to protect and maintain the interests of BAB in the Marks.

BAB agrees to indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which you are held liable in any proceedings arising out of the use of any Mark under and in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any such claim brought against it or in any such proceeding in which it is named as a party, provided that you have timely notified BAB of such claim or proceeding and have otherwise complied with the Franchise Agreement.

B. AREA DEVELOPMENT AGREEMENT

Developer's right to use the Marks is derived solely from Franchise Agreements entered into between Developer and BAB for the purpose of operating BAGELS Stores as contemplated thereunder. All usage of the Marks by Developer and any goodwill established thereby inures to the exclusive benefit of BAB. After the termination or expiration of the Area Development Agreement, Developer may not, except with respect to BAB Stores operated by Developer under Franchise Agreements granted by BAB, directly or indirectly, at any time or in any manner identify himself or any business as a franchisee or former franchisee of, or otherwise associated with, BAB or use in any manner or for any purpose any Mark or other indicia of a BAB Store or any colorable imitation.

Developer may not use any Mark or a derivative of any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Developer use any Mark or derivative in connection with any business or activity, other than the business conducted by Developer under Franchise Agreements entered into between Developer and BAB, or in any other manner not explicitly authorized in writing by BAB.

Developer must immediately notify BAB in writing of any apparent infringement of or challenge to Developer's use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer may not communicate with any person other than BAB and its counsel in connection with any such infringement, challenge or claim. BAB will have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any Mark.

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Item 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Except as noted below, BAB does not own any rights in or to any patents or copyrights which are material to the Franchise. BAB and its affiliates claim copyrights in its BAGELS Operations Manual and related materials used in the operation of the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the copyright laws of the United States by virtue of BAB and its affiliates placing the appropriate notice of copyright on such items. You may use the BAGELS Operations Manual and materials during the term of your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials. Furthermore, there are no infringing uses actually known to BAB which could materially affect your use of the copyrighted materials in any state where the Franchise is to be located. BAB is not obligated under any agreement to protect or defend its copyrights.

To preserve and enhance the reputation and goodwill associated with BAB's Marks, and to maintain uniform standards of operation for franchisees, you must operate the Franchise in full compliance with the BAGELS Operations Manual as amended from time to time. You also understand that the Manual and other training and operational aids contain certain proprietary and confidential information and remain the property of BAB and its affiliates. There will be no duplication or any disclosure of the proprietary and confidential information, except to your employees on a need-to-know basis, and you must take all reasonable precautions prescribed from time to time by BAB to prevent unauthorized use or disclosure of proprietary information of BAB and its affiliates. You must keep copies of the Manual current by inserting the updates furnished by BAB on an ongoing basis, and, in the event of any dispute as to the BAGELS Operations Manual's contents, BAB's master copy shall control.

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Item 15. OBLIGATION OF FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

A. FRANCHISE AGREEMENT

BAB requires you to supervise, but not personally manage, the Store. The Store must be directly supervised "on-premises" by a manager, who has completed BAB's training program. The on-premises manager may not have an interest or business relationship with any of BAB's business competitors. The manager is not required to have any amount of equity interest in the franchised business.

The manager must sign a separate written agreement with you incorporating nondisclosure and noncompetition clauses in a form satisfactory to us, including naming BAB as an intended third party beneficiary. An example of an agreement we currently consider satisfactory, including provisions to confirm our ownership of Ideas (as defined in Section 6.c. of the Franchise Agreement) is the Confidentiality and Non-Competition Agreement attached to the Franchise Disclosure Document as Exhibit E. The requirement for the Nondisclosure and Noncompetition Agreement between you and your employees, including the provision that makes BAB an intended third party beneficiary, shall not create an employee or joint employee relationship between BAB and your employees, nor does it constitute control by BAB over your employees' conditions of employment.

If the Franchisee is a corporation, limited liability company (LLC), or partnership, all owners of the corporation, LLC or partnership must agree jointly and severally to guarantee the obligations of Franchisee under the Franchise Agreement, and must sign Rider C to the Franchise Agreement (Guaranty and Assumption of Obligations).

B. AREA DEVELOPMENT AGREEMENT

Developer must exert his full-time efforts to his obligations under the Area Development Agreement and may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with Developer's obligations under the Area Development Agreement, without the express written consent of BAB. Developer must supervise the development and operations of BAGELS Stores franchised under the Area Development Agreement, but need not be engaged in the day-to-day operations of any specific Store. On-premise supervisors for BAB Stores established or operated under an Area Development Agreement are not required to have any amount of equity interest in the franchised business.

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Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are not permitted to sell, distribute or use any products or other items not approved for the uniform operation of all BAGELS Stores in the system by BAB, and your premises may not be used for any business purpose other than the operation of the Store as authorized by BAB. You must sell all goods and services that we authorize. We have the right to add additional authorized services and products that you must offer. There are no limits on our rights to make product or service changes.

You must operate your franchise solely from the specified location and may not advertise, sell, distribute or promote any products or services authorized for the Store without BAB's prior written consent, which consent may be withdrawn upon written notice to you.

You must strictly comply with our prescribed menu items and follow the recipes and food preparation methods exactly as set forth in the BAGELS Operations Manual, for all products offered and sold in your BAGELS Store. If you deviate from the prescribed recipes, ingredients, preparation methods, or menu boards, you shall be responsible for obtaining your own nutrition information in order to comply with applicable state and federal nutrition labeling requirements. In addition, such deviation shall be a default under the Franchise Agreement.

You must, within 7 days of selling any menu items for the first time through a Third Party Delivery Service company, inform us in writing of the name of that company and as well, furnish us with access information to the websites of any Third Party Delivery Service being used in order to enable us to verify your Gross Revenues from all sources. This obligation shall apply to each Third Party Delivery Service company that submits an order to your Store for the first time.

In addition to the foregoing, you must comply with all mandatory specifications, standards and operating procedures relating to the function and operation of a Store including those relating to: (1) hours during which you shall operate the Store (as described previously); (2) methods and procedures relating to the acquisition, storage and preparation of products offered by you in the operation of his Store; (3) advertising and promotion; (4) use of standard forms; (5) the handling of customer inquiries and complaints; (6) use of approved POS System and credit card processor or mobile pay technology, (7) prohibition against smoking in the BAGELS Store, and (8) prohibition against the use or consumption of alcoholic beverages, including using alcohol in the preparation of any food or beverage items in the BAGELS Store.

As a general matter, you must secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Store in full compliance with all applicable laws, ordinances and regulations including, without limitation, regulations relating to worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All advertising by you must be completely factual, in good taste in the judgment of BAB and must conform to the highest standards of ethical advertising. You shall in all dealings with your customers, suppliers, BAB, and public officials adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

You must not discriminate in your dealings with customers (in the services or products you provide, in the access to your services and products, or by refusing to provide services and products) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin or disability, and you must comply with our antidiscrimination standards.

Under the Wholesale Program Addendum, you are only permitted to sell at wholesale from your BAGELS Production Store unbranded bagels and muffins or “Jacobs Bros.” branded bagels to customers who will sell the products to the ultimate consumer.

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Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following tables list certain important provision of the Preliminary Agreement, Franchise Agreement, and Area Development Agreement. You should read these provisions in the agreement attached to this Franchise Disclosure Document.

A. PRELIMINARY AGREEMENT

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
a. Length of the Preliminary Agreement term	Paragraph 3	60 days
b. Renewal or extension of the term	Paragraph 3.c.	If you timely submit at least 1 site to us, which we do not approve, we may grant an extension of the term
c. Requirements for Franchisee to renew or extend	Paragraph 3.c.	If you timely submit at least 1 site to us, which we do not approve, we may grant an extension of the term
d. Termination by Franchisee	Paragraphs 3.a, 5.a	You may withdraw your application for a franchise during term of agreement You may terminate the agreement under any grounds permitted by law.
e. Termination by Franchisor without cause	Not Applicable	BAB cannot terminate your Franchise Agreement without cause
f. Termination by Franchisor with cause	Paragraph 5, Signature page	If you fail to sign a Franchise Agreement within 14 days of BAB's approval of your site, BAB may terminate the agreement; if you fail to sign the Preliminary Agreement and pay the deposit within 14 days of the date BAB furnishes you the Preliminary Agreement, BAB's offer to enter into that Agreement is null and void
g. "Cause" defined – curable faults	Paragraph 5	Failure to sign a Franchise Agreement within 14 days of BAB's approval of your site
h. "Cause" defined – non-curable defaults	Paragraph 5	Failure to sign a Franchise Agreement within 14 days of BAB's approval of your site
i. Franchisee's obligations on termination/ nonrenewal	Not applicable	
j. Assignment of contract by Franchisor	Not applicable	
k. "Transfer" by Franchisee	Paragraph 6	You may not assign the Preliminary Agreement

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
– definition		
l. Franchisor's approval of transfer by Franchisee	Not applicable	
m. Conditions for Franchisor's approval of transfer	Not applicable	
n. Franchisor's right of first refusal to acquire Franchisee's business	Not applicable	
o. Franchisor's option to purchase Franchisee's business	Not applicable	
p. Death or disability or Franchisee	Not applicable	
q. Non-competition covenants during the term of the franchise	Not applicable	
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	
s. Modification of the agreement	Not applicable	
t. Integration/merger clause	Not applicable	
u. Dispute resolution by arbitration or mediation	Paragraph 9	In accordance with the American Arbitration Association in the major city nearest where our principal office address is then located (currently it would be Chicago, Illinois). Subject to applicable state law
v. Choice of forum	Paragraph 9	Arbitration (subject to applicable state law)
w. Choice of law	Not applicable	

B. FRANCHISE AGREEMENT

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
a. Length of the franchise term	Paragraph 2.a.	10 years
b. Renewal or extension of the term	Paragraph 2.b.	If you are in good standing, you can renew on the then current terms
c. Requirements for Franchisee to renew or extend	Paragraph 2.b.	Pay renewal fee of \$2,500, maintain premises or secure substitute premises, remodel, sign new agreement and other documents and sign release, and agree to upgrade to then-current standards of decor, equipment, and product offerings. The renewal agreement may contain materially different terms and conditions than your original contract, but the royalty fee will not be greater than the royalty fee that we then impose on similarly-situated renewing franchisees
d. Termination by Franchisee	Section 15	Breach by BAB, you in compliance. Additionally, you may terminate the agreement under any grounds permitted by law.
e. Termination by Franchisor without cause	Not Applicable	BAB cannot terminate your Franchise Agreement without cause
f. Termination by Franchisor with cause	Section 16	BAB can terminate only if you commit any 1 of several listed violations
g. "Cause" defined – curable faults	Section 16	You have 10 days for monetary defaults and failure to maintain required insurance, and 30 days for all defaults not listed in Paragraph 16.a.
h. "Cause" defined – non-curable defaults	Section 16	Failure to submit site within 90 days, failure to open Store in 4 months of possession, failure to complete initial training, abandonment, conviction of felony, unauthorized transfers, unauthorized use or disclosure of confidential information or BAGELS Operations Manual, unauthorized use of Marks, creation of a threat to public health or safety, repeated defaults (even if cured), unapproved transfer upon your death or permanent incapacity, failure to comply with covenants in Paragraph 9.f; termination of other agreement between BAB and you.
i. Franchisee's obligations on termination/ nonrenewal	Section 17 t	Franchise Agreement: Pay outstanding amounts, complete de-identification, return confidential information, covenant not to compete, continuing obligations, BAB option to purchase.
j. Assignment of contract by Franchisor	Paragraph 14.a.	No restrictions on BAB's right to assign
k. "Transfer" by Franchisee – definition	Paragraph 14.b	Includes transfer of any interest in Franchise Agreement, assets or ownership change in you

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
l. Franchisor's approval of transfer by Franchisee	Paragraph 14.c.	Franchise Agreement: BAB has right to approve all transfers, but will not unreasonably withhold consent.
m. Conditions for Franchisor's approval of transfer	Paragraph 14.b.,14.c.	Transferee qualifies, all obligations assumed by transferee, all amounts due BAB are paid, transferee completes training, transfer fee paid, general release signed, you agree to guarantee performance and obligations of transferee, transferee signs, at BAB's sole discretion, either: (a) BAB's assignment and assumption agreement or (b) BAB's then-current Franchise Agreement, which may contain materially different terms than your Franchise Agreement
n. Franchisor's right of first refusal to acquire Franchisee's business	Paragraph 14.e.	BAB can match any offer for your business or an ownership interest in you
o. Franchisor's option to purchase Franchisee's business	Paragraph 17.f.	BAB can purchase tangible assets, assignment of all licenses and permits, on termination or expiration for the formula price described in the Franchise Agreement
p. Death or disability or Franchisee	Paragraph 14.c.	Franchise or ownership interest in you must be assigned to approved buyer within 6 months
q. Non-competition covenants during the term of the franchise	Paragraph 9.f.	No involvement in competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 17.d.	No competing business for 2 years at the Store location or within 10 miles of your Store or any other BAGELS Store or My Favorite Muffin Store (same restrictions after assignment)
s. Modification of the agreement	Paragraph 18.b. and 18.i.	No modifications generally, but BAGELS Operations Manual and standards and specifications subject to change
t. Integration/merger clause	Paragraph 18.j.	Terms of Franchise Agreement (including exhibits, attachments, BAGELS Operations Manual, and other written materials) are binding (subject to state law). Any representations or promises made outside the disclosure document, franchise agreement and development agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Documents, its exhibits and amendments. (subject to applicable state law)
u. Dispute resolution by arbitration or mediation	Paragraph 18.l.	In accordance with the American Arbitration Association in the major city nearest where our principal office address is then located (currently it would be Chicago, Illinois). Subject to applicable state law
v. Choice of forum	Paragraph 18.l.	Arbitration must be in Illinois (subject to applicable state law)

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
w. Choice of law	Paragraph 18.e.	Governed by state of Illinois law except when US Trademark Act or other federal law governs (subject to applicable state law)

C. AREA DEVELOPMENT AGREEMENT

Provision	Provision in Area Development Agreement	Summary
a. Length of Area Development Agreement term	Section 3.A.	Term is generally from 6 months to 2 years. Expiration is last day of last development period
b. Renewal or extension of the term	Not Applicable	No renewal but BAB will negotiate additional development rights with Developer if deemed mutually beneficial
c. Requirements for Franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by Franchisee	Not Applicable	You may terminate the agreement under any grounds permitted by law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Section 10	Can terminate if you commit any of several listed violations. BAB can terminate the Area Development Agreement if you receive 2 or more notices of default of a Franchise Agreement with BAB.
g. "Cause" defined – curable faults	Section 10(A)(5)	You have 30 days after notice to cure a breach for defaults noted in Section 10(A)(5).
h. "Cause" defined – non-curable defaults	Section 10(A)(1) – (4), 10(A)(6)-(9)	<p>Unauthorized assignment or transfer, general partnership in Developer is terminated, material misrepresentation or omission in the Area Development Agreement application, conviction or plea of no contest to felony or crime or offense that adversely affects Marks, unauthorized use of marks or disclosure of proprietary information, 3 or more defaults even if cured, BAB has delivered notice of termination of a Franchise Agreement in accordance with its terms and conditions or Developer has terminated a Franchise Agreement without cause as defined in such Agreement; failure to meet Minimum Development quota; failure to pay loans guaranteed or made by BAB.</p> <p>The Area Development Agreement is subject to termination if you receive 2 or more notices of default of a Franchise Agreement between</p>

Provision	Provision in Area Development Agreement	Summary
		you and BAB, or if you terminate a Franchise Agreement without cause, Termination of the Area Development Agreement which does not involve a default of a Franchise Agreement does not subject the Franchise Agreement to termination by BAB.
i. Franchisee's obligations on termination/ nonrenewal	Section 11	All of which expressly or by nature survive expiration or termination and covenant not to compete
j. Assignment of contract by Franchisor	Paragraph 12.A.	No restriction on BAB's right to assign
k. Transfer by Franchisee – definition	Not Applicable	Not Applicable
l. Franchisor's approval of assignment by Franchisee	Paragraph 12.B.	Only with prior written approval by BAB
m. Conditions for Franchisor's approval of transfer	Paragraph 12.B.	Conditions not specified.
n. Franchisor's right of first refusal to acquire Franchisee's business	Paragraph 12.D.	BAB can match any offer for your Area Development rights or an ownership interest in you
o. Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p. Death or disability of Developer	Paragraph 12.B.	Conditions not specified.
q. Non-competition covenants during the term of the franchise	Paragraph 7.C.	No competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Section 11.C.	No competing business for 2 years at the Store location or within a 10 mile radius of the Exclusive Development Area or within 10 miles of any BAGELS Store or My Favorite Muffin Store
s. Modification of agreement	Section 13.A, B	Only by written agreement of parties.
t. Integration/ merger clause	Paragraph 13.L.(1)	Any representations or promises made outside the disclosure document, franchise agreement and development agreement may not be enforceable. Subject to applicable state law. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Documents, its exhibits and amendments. (subject to applicable state law)

Provision	Provision in Area Development Agreement	Summary
u. Dispute resolution by arbitration or mediation	Paragraph 13.G.	In accordance with the American Arbitration Association in the major city nearest where our principal office address is then located (currently it would be Chicago, Illinois) Subject to applicable state law
v. Choice of forum	Paragraph 13.G.	Arbitration (subject to applicable state law)
w. Choice of law	Section 13.E.	Governed by State of Illinois except when U.S. Trademark Act or other federal law governs (subject to applicable state law)

18. PUBLIC FIGURES

BAB does not use any public figure to promote its franchise.

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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.

The information included in the Table 1 below is based on reports submitted to us by 4948 (for 2024 and 2023) ~~or 50 (for 2022)~~ fully-reporting franchised BAGELS Stores located in the United States that were operated for the entire 2023 and ~~2024~~2022 Fiscal Years. For 2023 and 2024, the Franchised Stores include 4948 BAGELS Production Stores and 0 BAGELS Satellite Store (collectively the "Franchised Stores"). ~~For 2022, the Franchised stores include 50 BAGELS Production Stores and 0 BAGELS Satellite Store.~~ The Table does not include any company-owned or affiliate-owned stores. Any franchised BAGELS Stores that either opened or closed during the 2023 or ~~2024~~2022 Fiscal Years, or failed to submit all 52 weeks of reporting during the 2023 or ~~2022~~2024 Fiscal Years, have been excluded from the information contained in these Tables. During the 2023 Fiscal Year, 1 BAGELS Store was converted to a licensed unit. During the ~~2024~~2022 Fiscal Year, 21 BAGELS Store was opened and one was closed. The information was collected by us, but has not been independently audited or verified.

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Gross Revenues¹ of BAGELS Franchised Stores
By Quartile for 2023 and ~~2024~~2022 Fiscal Years

Big Apple Bagels

	2023	2024 2022	2023	2024 2022	2023	2024 2022	2023	2024 2022
Quartile ²	1 st		2 nd		3 rd		4 th	
# Franchises Represented	12	13 <u>12</u>	12	12	12	12	13 <u>12</u>	13 <u>12</u>
Gross Revenues Range ³	\$751,743- \$1,088,909	\$709,266- \$947,256 <u>\$755,704- \$1,249,963</u>	\$583,965- \$732,172	\$519,276- \$694,669 <u>\$589,737- \$751,392</u>	\$430,796- \$582,665	\$400,599- \$515,488 <u>\$474,744- \$556,406</u>	\$199,509- \$426,149	\$197,991- \$393,604 <u>\$172,671- \$466,176</u>
Average Gross Revenues Within Quartile ⁴	\$852,497	\$788,874 <u>\$896,791</u>	\$662,091	\$606,097 <u>\$681,438</u>	\$487,121	\$444,379 <u>\$513,823</u>	\$340,349 <u>\$347,458</u>	\$303,658 <u>\$368,240</u>

Number & Percentage of Franchised Stores in Each Quartile Exceeding the Average Gross Revenues for that Quartile⁵	5 or 42%	5 or 38 <u>42</u> %	7 or 58%	57 or 42 <u>58</u> %	5 or 42%	57 or 42 <u>58</u> %	8 or 62 <u>67</u> %	76 or 54 <u>50</u> %
Median Gross Revenues in Each Quartile⁶	\$847,444	\$746,335 <u>\$854,997</u>	\$685,740	\$590,722 <u>\$692,760</u>	\$477,775	\$443,271 <u>\$515,027</u>	\$363,693 <u>\$369,238</u>	\$310,944 <u>\$387,587</u>

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~~Note: The Portage, MI store referred to in Item 1 as selling SweetDuet products is included in Table 1 above in the 1st quartile, but its sales exclusive of SweetDuet products were the basis for its position on the Table.~~

Notes:

1. “Gross Revenues” is defined in the Franchise Agreement as the entire amount of all gross sales and business receipts, including direct or indirect barter transactions, catering accounts, proceeds of business interruption insurance policies, wholesale accounts (both on and off premises) arising out of the operation of the Store, or through or by means of the business conducted in connection therewith, whether for cash or credit, but excluding: (1) sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; and (2) all bona fide customer refunds and approved rebates, discounts and allowances.
2. Quartile. “Quartile” refers to the relative performance of the Franchised Stores. Therefore, the “1st Quartile” refers to the top 25% performing Franchised Stores, based on Gross Revenues, the “2nd Quartile” refers to the next highest 25% performing Franchised Stores, and so on.
3. Gross Revenues Range for 2023. The 2023 figures in the Table are based on the 2023 Fiscal Year Gross Revenues of the 4948 fully-reporting Franchised Stores located in the United States that were operated for the entire 2023 Fiscal Year. The Table lists the high and low end of the Gross Revenues Range for each Quartile. There are a total of 4948 Franchised Stores, with 12 Franchised Stores in the First, Second, ~~and Third~~ and Fourth Quartiles ~~and 13 Franchised Stores in the Fourth Quartile.~~ The Gross Revenues Range shows the highest and lowest Gross Revenues within each Quartile. For example, the high end of the 1st Quartile of Franchised Stores (\$1,088,909) is the Franchised Store having the highest Gross Revenues in 2023. The low end of the 1st Quartile of Franchised Stores (\$751,743) is the Franchised Store having the 12th highest Gross Revenues in 2023. The high end of the 2nd Quartile of Franchised Stores (\$732,172) is the Franchised Store having the 13th highest Gross Revenues in 2023. The low end of the 2nd Quartile of Franchised Stores (\$583,965) is the Franchised Store having the 24th highest Gross Revenues in 2023. And so on for each Quartile.
4. Gross Revenues Range for ~~2022~~2024. The ~~2024~~2022 figures in the Table are based on the ~~2024~~2022 Fiscal Year Gross Revenues of the 5048 fully-reporting Franchised Stores located in the United States that were operated for the entire ~~2024~~2022 Fiscal Year. The Table lists the high and low end of the Gross Revenues Range for each Quartile. There are a total of 5048 Franchised Stores, with ~~13 Franchised Stores in the First and Fourth Quartiles and 12 Franchised Stores in the second and third Quartile.~~ First, Second, Third and Fourth Quartiles. The Gross Revenues Range shows the highest and lowest Gross Revenues within each Quartile. For example, the high end of the 1st Quartile of Franchised Stores (~~\$947,256~~1,249,963) is the Franchised Store having the highest Gross Revenues in ~~2024~~2022. The low end of the 1st Quartile of Franchised Stores (~~\$709,266~~755,704) is the Franchised Store having the 12th highest Gross Revenues in 2024. The high end of the 2nd

BAB

Quartile of Franchised Stores (\$751,392) is the Franchised Store having the 13th highest Gross Revenues in ~~2024.2022~~. ~~The high end of the 2nd Quartile of Franchised Stores (\$694,669) is the Franchised Store having the 14th highest Gross Revenues in 2022.~~ The low end of the 2nd Quartile of Franchised Stores (~~\$519,279~~589,737) is the Franchised Store having the ~~25th~~24th highest Gross Revenues in ~~2024~~2022. And so on for each Quartile.

5. Average Gross Revenues Within Quartile. The Table discloses the average Gross Revenues of the Franchised Stores within each Quartile for 2023 and ~~2024~~2022. The average was calculated by adding the Gross Revenues of all Franchised Stores within each Quartile and then dividing that total by the number of Franchised Stores within each Quartile. For example, the Gross Revenues in 2023 of the 1st Quartile (the top 12 Franchised Stores) have an average Gross Revenues of \$852,497. The Gross Revenues in ~~2024~~2022 of the 1st Quartile (the top ~~13~~12 Franchised Stores) have an average Gross Revenues of ~~\$788,874~~896,791. The same mathematical calculation was used for each of the other Quartiles in the Table.
6. Number & Percentage of Franchised Stores in Each Quartile Exceeding Average Gross Revenues for that Quartile. For each Quartile, the Table shows the actual number of Franchised Stores within that Quartile that exceeded the Average Gross Revenues for that Quartile. For example, for 2023, of the 12 Franchised Stores in the 1st Quartile, 5 Franchised Stores, or 42%, of the Franchised Stores exceeded the Average Gross Revenues of \$852,497. For ~~2024~~2022, of the ~~13~~12 Franchised Stores in the 1st Quartile, 5 Franchised Stores, or ~~38~~42%, of the Franchised Stores exceeded the Average Gross Revenues of ~~\$788,874~~896,791.
7. Median Gross Revenues in Each Quartile. The tables show the median Gross Revenues in each Quartile. The “median” is the middle number within each Quartile. If there are an even number of Franchised Stores within a Quartile (which is the case for the First, Second and Third and Fourth Quartile of the Franchised Stores in ~~2024~~2023, with 12 in that Quartile), the median is the average of the Gross Revenues of the Franchised Stores having the 6th and 7th highest Gross Revenues in that Quartile.

Material Bases and Assumptions

The Franchised Stores represented in the Table above are substantially similar to the concept being offered to you.

The Franchised Stores are primarily located in strip shopping centers, with a small percentage in free-standing locations.

The Gross Revenues are NOT net of costs of goods sold, other operating expenses or other costs or expenses that must be deducted from the gross revenues figures to obtain your net income or profit. We have not provided information regarding costs and expenses because we do not regularly collect that data from franchisees from which we could present reliable figures, and we

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do not operate any company-owned stores.

You will incur at least the following expenses, and possibly more: inventory, labor, occupancy costs, pre-opening expenses, depreciation and amortization, taxes, insurance, operating expenses, royalty fees to us, advertising fees to us, other fees to us in the Franchise Agreement, professional fees, bank charges, telephone, repairs. All of your expenses will affect the operating profit, net income and/or cash flow of your BAGELS Store and should be carefully considered and evaluated.

Prospective franchisees or sellers of franchises should be advised that no Certified Public Accountant has audited these figures or expressed his/her opinion with regard to their content of form. The amounts have not been audited or reviewed for reasonableness by independent auditors.

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

You should conduct an independent investigation of the costs and expenses you will incur in operating your BAGELS Store. We encourage you to consult with your own accounting, business, and legal advisors to assist you to prepare your budgets and projections, and to assess the likely or potential financial performance of your BAGELS Store. We also encourage you to contact existing BAGELS Store operators to discuss their experiences with the system and their Store business. Existing franchisees are your best source of information.

Written substantiation of the data we used in preparing this statement will be made available upon reasonable request.

Other than the preceding financial performance representation, BAB Systems, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Michael Murtaugh, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20. OUTLETS AND FRANCHISEE INFORMATION

**Systemwide Outlet Summary
For years ~~2021~~2022 to ~~2024~~2023**

All figures in Tables 1 - 4 are as of November 30, which is the Franchisor’s fiscal year end

Table No. 1

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021 2022	5452	5250	-2
	2023 2022	5250	5049	-21
	20232024	5049	49	-10
Company-Owned	2021 2022	0	0	0
	2023 2022	0	0	0
	20232024	0	0	0
Total Outlets	2021 2022	5452	5250	-2
	2023 2022	5250	5049	-21
	20232024	5049	49	-10

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Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
 For years ~~2021~~2022 to ~~2024~~2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Indiana	2021 2022	1
	2023 2022	<u>10</u>
	2023 2024	0
Michigan	2021 2022	<u>12</u>
	2023 2022	2
	2023 2024	<u>20</u>
Minnesota	2022 2021	<u>10</u>
	2022 2023	0
	2023 2024	0
California	2022 2021	<u>01</u>
	2023 2022	<u>10</u>
	2023 2024	0
Wisconsin	2022 2021	<u>12</u>
	2022 2023	2
	2023 2024	<u>20</u>
Totals	2022 2021	<u>46</u>
	2023 2022	<u>64</u>
	2023 2024	<u>40</u>

The remainder of this page is left blank intentionally.

Table No. 3
Status Franchised Outlets
For years ~~2021~~2022 to ~~2024~~2023

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2021 2022	3	0	0	0	0	0	3
	2023 2022	3	0	0	0	0	0 1	3 2
	2023 2024	3 2	0 1	0	0	0	0 10	3 23
Florida	2021 2022	1	0	0	0	0	0	1
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	0	1
Illinois	2021 2022	3	0	0	0	0	0	3
	2023 2022	3	0	0	0	0	0	3
	2023 2024	3	0	0	0	0	0	3
Indiana	2021 2022	3	0	0	0	0	0	3
	2023 2022	3	0	0	0	0	0	3
	2023 2024	3	0	0	0	0	0	3
Iowa	2021 2022	1	0	0	0	0	0	1
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	0	1
Michigan	2021 2022	2 23	0	0	0	0	1	2 22
	2023 2022	2 32	0	0	0	0	1 0	22
	2023 2024	22	0	0	0	0	0	22
Minnesota	2021 2022	2	0	0	0	0	0	2
	2023 2022	2	0	0	0	0	0	2
	2023 2024	2	0	0	0	0	0	2
Nebraska	2021 2022	2	0	0	0	0	0	2
	2023 2022	2	0	0	0	0	0	2
	2023 2024	2	0	0	0	0	0	2
Nevada	2021 2022	1	0	0	0	0	0 1	1 0
	2023 2022	1 0	0	0	0	0	0 10	0
	2023 2024	0	0	0	0	0	0	0
Ohio	2021 2022	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	0	1
Pennsylvania	2022 2021	1	0	0	0	0	0	1
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	0	1
South Carolina	2022 2021	1	0	0	0	0	0	1
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	0	1
Washington	2022 2021	1	0	0	0	0	0	1
	2023 2022	1	0	0	0	0	0	1
	2023 2024	1	0	0	0	0	01	10
Wisconsin	2022 2021	9	0	0	0	0	0	9
	2022 2023	9	0	0	0	0	0	9
	2023 2024	9	0	0	0	0	0	9
Wyoming	2020 2021	10	0	0	0	0	10	0
	2023 2020	0	0	0	0	0	0	0
	2023 2024	0	0	0	0	0	0	0
All States and Totals	2022 2021	5452	0	0	0	0	2	5250
	2022 2023	5250	0	0	0	0	21	5049
	2023 2024	5049	01	0	0	0	1	49

The remainder of this page is left blank intentionally.

Table No. 4
Status of Company-Owned Outlets
 For years ~~2021~~2022 to ~~2024~~2023

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
All States and Totals	2022 2021	0	0	0	0	0	0
	2022 2023	0	0	0	0	0	0
	2023 2024	0	0	0	0	0	0

Table 5
Projected Openings For One-Year Period as of December 1, ~~2024~~2023

STATE	FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPEN	PROJECTED FRANCHISED NEW STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT YEAR
California	1	1	0
Totals	1	1	0

We have not had any Area Development Agreements in effect during the past 3 fiscal years, nor do we project to have any signed in the one-year period beginning December 1, ~~2024~~2023.

Exhibit H is the list of current franchises (49) as of November 30, ~~2024~~2023.

Exhibit I lists the name and last known city, state and business telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business (collectively, “closures”) under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document (1 closure ~~plus 4 transfers~~).

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

Within the last 3 fiscal years, we have on occasion in certain circumstances entered into agreements containing confidentiality clauses signed with former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with BAB Systems, Inc. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Disclosure Document.

21. FINANCIAL STATEMENTS

Attached as Exhibit P are the Audited Financial Statements of BAB as of November 30, ~~2024,~~ ~~2023 and~~ November 30, ~~2022~~2023, and for the ~~years~~year ended November 30, ~~2023,~~ 2022, ~~and 2021.~~

Our fiscal year end is November 30.

22. CONTRACTS

Attached are the following contracts:

Exhibit A Preliminary Agreement

- Exhibit B Franchise Agreement for BAGELS Production Store and BAGELS Satellite Store, with Riders
- Exhibit C Area Development Agreement
- Exhibit D Disclosure Acknowledgement Statement
- Exhibit F Wholesale Program Addendum
- Exhibit G Catering Program Addendum
- Exhibit L General Release (to be signed upon renewal or assignment of the franchise)
- Exhibit M Assignment Agreement (applies only if you are assigning your franchise to a corporation, limited liability company, or other entity controlled by you)
- Exhibit N Assignment Agreement (applies if you are assigning your franchise to a franchisee unrelated to you)

- Exhibit O Transferee's Waiver and Release (applies only if you are buying a BAGELS Store from an existing franchisee)

- Exhibit R State Addenda (if applicable)

The following language is required by the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments, as it relates to Exhibit D to this FDD, the Disclosure Acknowledgement Statement.

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

23. RECEIPTS

You will find copies of a detachable receipt at the very end of this Disclosure Document.

The remainder of this page is left blank intentionally.

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

Preliminary Agreement

Insert Preliminary Agreement

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

Franchise Agreement

Insert Franchise Agreement

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

~~Area Development Agreement~~

Insert Area Development Agreement

EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
DISCLOSURE ACKNOWLEDGEMENT STATEMENT

BAB Systems, Inc. ("we" or "us"), through the use of this Disclosure Acknowledgement Statement, wishes to ascertain that _____ ("you") fully understand that your execution of a Franchise Agreement and/or an Area Development Agreement for a franchise to own and operate a BAGELS Store is a business decision, complete with associated risks. You make the following representations to us; if any statement is not correct, or if you are aware of exceptions to them, note them in #7 below.

If you are referred to us by one of our franchisees, we may pay the referring franchisee a one-time referral fee.

1. You acknowledge that you have received the BAGELS Franchise Disclosure Document ("FDD") at least 14 calendar days prior to the date you executed the Franchise Agreement and/or the Area Development Agreement or paid us any money, and you have received the final form of Franchise Agreement and/or Area Development Agreement at least 7 calendar days prior to the date you executed said Agreement(s) or paid us any money.

2. You acknowledge that you have independently evaluated and investigated the Store site and the lease or purchase agreement for the Store site.

3. You acknowledge that, although we will provide you with the basic drawings and specifications for the Store, will specify certain furniture, fixtures and equipment for the Store, and will maintain certain rights of review and/or approval under our Franchise Agreement with you, we have not made, and you have not received or relied upon any warranty concerning the Store or the drawings, specifications, furniture, fixtures and equipment. You acknowledge that, except as may otherwise be provided in the Franchise Agreement, it is your sole responsibility to insure that the Store's construction or conversion remodeling complies with any and all laws, codes or regulations. You acknowledge that, except as may otherwise be provided in the Franchise Agreement, you are solely responsible for and we will have no liability or obligation in connection with the plans or the construction or conversion remodeling of the Store.

4. You acknowledge that the initial investment costs in Item 7 of the FDD are based on our current design concept, which is always subject to change, and that if we change the design concept after you sign your Franchise Agreement, your investment costs may be affected.

5. You acknowledge that you were advised, prior to receiving the Franchise Disclosure Document, of the various ways you could be furnished the Franchise Disclosure Document.

6. You acknowledge that you have received the receipt page with the names completely filled in of all the franchise sellers that were involved in your purchase of the franchise.

7. **THE FOLLOWING CORRECTIONS AND/OR EXCEPTIONS TO THE ABOVE STATEMENTS ARE AS FOLLOWS (IF NO CORRECTIONS OR EXCEPTIONS, WRITE "NONE" AND INITIAL):**

Description or Write "None"

Initial

(Attach additional sheets if necessary)

Dated this _____ day of _____, 20_____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____

By: _____
Title: _____

Individual Signatures:

EXHIBIT E to FRANCHISE DISCLOSURE DOCUMENT

Confidentiality and Non-Competition Agreement

Insert Confidentiality Agreement

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT

Wholesale Program Addendum

Insert Wholesale Addendum

EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT

Catering Program Addendum

~~Insert Catering Addendum~~

EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT

**List of Current Franchisees and
Company/Affiliate-Owned Stores as of November 30, ~~2023~~2024**

Franchised Stores: see following ~~3~~ pages

Company and Affiliate-Owned Stores: None

Insert 3 pages — Exhibit H BAB 2023.003 in pdf

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT

List of Former or Inactive Franchisees

As of November 30, ~~2023~~2024

See following page

Insert 1 page - pdf

Exhibit J

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:

Commissioner of the Department
of Financial Protection and
Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005-1495
(212) 416-8285

Hawaii:

Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.,
Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

North Dakota:

Securities Department
600 E. Boulevard Ave.
State Capitol
14th. Flr. Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St.
Springfield, IL 62701-1771
(217) 782-4465

Rhode Island:

Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920-4407
(401) 462-9527

Indiana:

Indiana Securities Division
Franchise Section
302 W. Washington St., Rm. E111
Indianapolis, IN 46204-2738
(317) 232-6681

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Maryland:

Office of the Attorney General
Division of Securities
200 Saint Paul Pl.
Baltimore, MD 21202-2020
(410) 576-6360

Virginia:

State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Michigan:

Michigan Attorney General
Consumer Protection Division
PO Box 30213
Lansing, MI 48909-7713
(517) 373-7117

Washington:

Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101-3165
(651) 539-1600

Wisconsin:

Securities Division
201 W. Washington Ave., Ste. 300
Madison, WI 53703-2640
(608) 266-8557

Exhibit K

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:

Commissioner of the Department
of Financial Protection and
Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677

Hawaii:

Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:

Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:

Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN
46204 (317) 232-
6681

Maryland:

Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD
21202 (410) 576-
6360

Michigan:

Michigan Corporation & Securities
Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI
48911 (517) 373-
7117

Minnesota:

Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN
55101 (651) 539-
1600

New York:

New York Secretary of State
One Commerce Plaza
99 Washington Ave., 6th Flr.
Albany, NY 12231-0001
(518) 473-2492

North Dakota:

North Dakota Securities Commissioner
600 E. Boulevard Ave., 14th. Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:

Director, Rhode Island Department of
Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-
3168 (605) 773-
3563

Virginia:

Clerk, Virginia State Corporation
Commission
1300 E. Main St.,
1st Flr. Richmond,
VA 23219 (804)
371-9733

Washington:

Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd.
SW Tumwater,
WA 98501 (360)
902-8760

Wisconsin:

Administrator, Wisconsin
Division of Securities
201 W. Washington
Ave. Madison, WI
53703
(608) 261-9555

**EXHIBIT L TO FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE**

(to be signed upon renewal or assignment of the franchise)

In consideration of the consent by BAB Systems, Inc. (“Franchisor”) to the assignment by _____ (“Franchisee”) of Franchisee’s franchise rights under the Franchise Agreement dated _____ to _____ (“Assignee”), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee and Franchisee’s Guarantors do hereby forever release, discharge and hold Franchisor, its officers, agents, employees, shareholders, guarantors, successors, and assigns, on behalf of themselves, their heirs, executors, administrators, officers, agents, employees, shareholders, guarantors, successors and assigns, harmless from and against any and all claims, causes of action, demands, damages, costs, suits, obligations, negligence, misrepresentations, omissions, and fraud, whatsoever, in law or in equity, arising out of any relationship with one another whether contractual, or otherwise which they now have, for, upon, or by reason of any matter, cause or thing whatsoever, at any time prior to the date of this General Release, which release is not limited to claims relating to the franchise agreement being assigned by the Franchisee.

This general release extends to any and all claims, known or unknown, the existence of which Franchisee may not know or suspect as of the date of executing this document, it being Franchisee’s understanding and intent that Franchisee is releasing Franchisor from any and all liability to Franchisee. Further, Franchisee has had an opportunity to seek advice from legal counsel and is executing this general release with full knowledge of its legal effect.

DATE: _____

FRANCHISEE: _____

By: _____

Name: _____

Title: _____

FRANCHISEE’S GUARANTORS:

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

WITNESS: _____

EXHIBIT M TO FRANCHISE DISCLOSURE DOCUMENT
Assignment Agreement

Sample only: subject to revisions depending on the specific circumstances of the assignment.

**ASSIGNMENT TO CORPORATION OR LIMITED LIABILITY COMPANY
OR OTHER ENTITY, FOR BENEFIT OF FRANCHISEE/DEVELOPER**

THIS AGREEMENT is made and entered into effective as of the _____ day of _____ 200____, by and among BAB Systems, Inc., an Illinois corporation having its principal place of business at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 (the “COMPANY”) and _____, individuals (“ASSIGNOR”), and _____, a corporation/limited liability company formed under the laws of the State of _____ (“ASSIGNEE”), *wherein* the parties agree as follows:

1. Agreement Assigned. ASSIGNOR hereby sells, assigns, and conveys to ASSIGNEE all interest in and to that certain **Franchise Agreement** made and entered into as of _____, 20____ for the development and/or operation of the BIG APPLE BAGELS store located at _____ (the “AGREEMENT”), to have and to hold said interest for the term of the AGREEMENT and any renewal thereof consistent with its terms and conditions. The COMPANY hereby grants its permission for the assignment of the AGREEMENT upon the terms and conditions herein set forth.
2. Rights and Obligations. ASSIGNEE’S rights under the AGREEMENT shall be subject to the terms thereof, and ASSIGNEE shall and does hereby agree to duly assume, keep, and perform all of ASSIGNOR’S obligations and covenants as Franchisee or Developer under the AGREEMENT.
3. Assignor Primary Liability. ASSIGNOR shall at all times remain primarily liable to the COMPANY for the performance and keeping of all obligations and covenants required to be kept or performed by the Franchisee or Developer under the AGREEMENT, including payment of all monies owed the COMPANY and its affiliates, and ASSIGNEE hereby agrees to indemnify and hold ASSIGNOR harmless from all claims, causes of action, actions and judgment which may be made, had, commenced or entered against ASSIGNOR on account of the AGREEMENT arising after the date hereof.
4. Control Person. ASSIGNOR hereby designates _____, as the “control person” of ASSIGNEE. For purposes of this Agreement, the control person shall be the person who has the authority to actively direct the affairs of the ASSIGNEE, the relinquishment with ASSIGNEE, either voluntarily or involuntarily, by the control person without the prior written approval of the COMPANY shall constitute a material breach of the AGREEMENT and this

Assignment permitting the COMPANY, at its sole option, to terminate the AGREEMENT; provided, however, that in the event of death or disability of the control person that the provisions of Section 14.c of the Franchise Agreement and Section 12.B of the Area Development Agreement shall control to the same extent as if the control person were the franchisee under the AGREEMENT.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement effective as of the date first above written.

ASSIGNOR:

COMPANY: BAB SYSTEMS, INC.

By: _____
Title: _____

ASSIGNEE:

A corporation/limited liability
Formed under the laws of _____

By: _____

Title: _____

(ALL ASSIGNORS SHALL SIGN THE GUARANTY AND ASSUMPTION OF OBLIGATIONS ATTACHED TO THE FRANCHISE AGREEMENT AS RIDER C)

Rider C

TO THE BAB SYSTEMS, INC. FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain BAB SYSTEMS, INC. Franchise Agreement of even date herewith (the "Agreement") by BAB Systems, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.f. and 17.d.

The undersigned further acknowledge and agree that this Guaranty and Assumption of Obligations applies to the Security Agreement executed by Franchisee, attached as Rider E to the Franchise Agreement, and that they are bound by each and every undertaking, agreement and covenant set forth in said Security Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP OF FRANCHISEE

_____ %

_____ %

_____ %

_____ %

EXHIBIT N TO FRANCHISE DISCLOSURE DOCUMENT

ASSIGNMENT AGREEMENT

(between unrelated Franchisees)

Sample only: subject to revisions depending on the specific circumstances of the assignment.

FOR VALUE RECEIVED, the undersigned, _____
("Assignor"), jointly and severally, do hereby assign all right, title and interest in its or their
(depending upon if an entity or multiple individuals) franchise rights in connection with the BAGELS
franchise formerly associated with the location at _____

("the Franchise"), pursuant to a franchise agreement between Assignor and BAB Systems, Inc. dated
_____ ("Assignor's Franchise Agreement").
Assignor acknowledges and agrees that, upon the assignment of the foregoing franchise rights to
Assignee, the Assignor's Franchise Agreement shall be terminated effective upon execution of this
document by all parties.

Assignor and Assignor's owners do hereby guarantee the obligations of Assignee for the performance
by Assignee of its obligations as Franchisee under the Assignee's Franchise Agreement, including
the total amount of damages (including future royalties) for a period beginning with the effective
date of the transfer and ending on the expiration date of the Assignor's original Franchise
Agreement. Assignor and Assignor's owners shall execute the Corporate and Personal Guaranty
on the following two (2) pages.

WITNESS our hands this _____ day of _____, 20_____.

Assignor:

Corporate/LLC Signature:

a _____ corporation/LLC

By: _____

Title: _____

Individual Signatures:

CORPORATE AND PERSONAL GUARANTY

By Assignor and Assignor's Owners

THIS CORPORATE and PERSONAL GUARANTY is given this _____ day of _____, 20____, by _____, a(n) _____ (corporation/limited liability/other) organized under the laws of the State of _____ ("Assignor Entity") and by the undersigned owners of Assignor Entity ("Assignor Owners").

In consideration of, and as an inducement to, the consent to the assignment of the Assignor's rights under the Franchise Agreement dated _____ ("Assignor's Franchise Agreement") with BAB Systems, Inc., to _____, ("Assignee"), each of the undersigned hereby personally and unconditionally (a) guarantees to BAB Systems, Inc. ("Franchisor") and its successors and assigns, for the period beginning on the effective of the assignment and ending on the expiration date of the Assignor's original Franchise Agreement ("Guaranty Period"), that Assignee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Assignee's Franchise Agreement; (b) guarantees the payment by Assignee of the total amount of damages (including future royalties), if applicable, for the Guaranty Period, and (c) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Assignee's Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Assignor or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it or he may be entitled.

Each of the undersigned consents and agrees that: (1) its or his direct and immediate liability under this guaranty shall be joint and several; (2) it or he shall render any payment or performance required under the Assignee's Franchise Agreement upon demand if Assignee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Assignor of any remedies against Assignee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Assignor may from time to time grant to Assignee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the Guaranty Period set forth above.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed its, his or her signature this ___ day of _____, 20____.

**Assignor Entity
Corporate/LLC Signature:**

_____ a _____ corporation/LLC

By: _____

Title: _____

ASSIGNOR'S OWNERS:

GUARANTOR(S)

**PERCENTAGE OF
OWNERSHIP
OF ASSIGNOR ENTITY**

_____ %
_____ %
_____ %

CONSENT TO ASSIGNMENT BY ASSIGNOR

IN CONSIDERATION of the above Assignment and of the covenants, promises and agreements of the Assignee and other good and valuable consideration, BAB Systems, Inc. hereby consents to the above assignment of the franchise rights for the aforesaid Franchise from Assignor to Assignee. BAB Systems, Inc. hereby acknowledges and agrees that the Assignor's Franchise Agreement between Assignor and BAB Systems, Inc. is terminated effective upon execution of this document by all parties.

WITNESS our hands this _____ day of _____, 20_____.

BAB SYSTEMS, INC.

An Illinois corporation:

By: _____

Name: _____

Title: _____

ASSUMPTION BY ASSIGNEE

IN CONSIDERATION of the above Assignment and other good and valuable consideration, the undersigned, _____, jointly and severally do hereby assume and agree to accept the assignment of all franchise rights for the Franchise and to make all payments, to perform and keep all promises, covenants, conditions and agreements of the franchisee under the Franchise Agreement executed by Assignee and BAB Systems, Inc. (“Assignee’s Franchise Agreement”) on _____ (date), in connection with the Franchise.

If Assignee is not an individual, Assignee shall cause its owners to execute the Guaranty and Assumption of Obligations attached as Rider C to Assignee’s Franchise Agreement.

WITNESS our hands this _____ day of _____, 20_____.

Assignee:

Corporate/LLC Signature:

a _____ corporation/LLC

By: _____

Title: _____

Individual Signatures:

CONSENT TO ASSUMPTION BY ASSIGNEE

IN CONSIDERATION of the above Assignment and of the covenants, promises and agreements of the Assignee and other good and valuable consideration, BAB Systems, Inc. hereby consents to the above assumption of the Assignor's franchise rights by Assignee. BAB Systems, Inc. hereby acknowledges and agrees that the Assignee's Franchise Agreement between Assignee and BAB Systems, Inc. is in full force and effect.

WITNESS our hands this _____ day of _____, 20_____.

BAB SYSTEMS, INC.

An Illinois corporation:

By: _____

Name: _____

Title: _____

EXHIBIT O TO FRANCHISE DISCLOSURE DOCUMENT
Transferee's Waiver and Release

This instrument is by and between BAB Systems, Inc. ("BAB"), an Illinois corporation, whose principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, and _____ ("Transferee"), whose principal address is _____.

Recitals

- A. _____ ("Seller") is a Franchisee of BAB under a Franchise Agreement between Seller and BAB dated _____ ("Seller's Franchise Agreement").
- B. Pursuant to Seller's Franchise Agreement, Seller operates a BAGELS Store located at _____ ("Subject Store").
- C. Seller has notified BAB that Seller proposes to transfer to Transferee Seller's interest in the Subject Store, along with Seller's franchise rights under Seller's Franchise Agreement.
- D. Pursuant to Seller's Franchise Agreement, BAB must consent to any transfer of Seller's rights, and BAB further has a right of first refusal which BAB may exercise in order to acquire the Subject Store.

In consideration of the conditional consent by BAB Systems, Inc. to the transfer by Seller to the Transferee, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

1. BAB hereby waives its right of first refusal in connection with the sale of the Subject Store.
2. Transferee makes the following acknowledgements and statements, with the express understanding that BAB is relying on such statements in giving its consent and in waiving its right of first refusal:
 - a. Transferee will be required to sign a new Franchise Agreement ("Transferee's Franchise Agreement") with BAB, and will not be assuming the Seller's Franchise Agreement. Transferee's Franchise Agreement will be for a new term as described in Transferee's Franchise Agreement, and will not be the remaining term of Seller's Franchise Agreement. Transferee's Franchise Agreement may contain materially different terms than in the Seller's Franchise Agreement, including a different rate for royalty fees and Marketing Fund contributions.
 - b. The Seller is not an agent or representative of BAB, and any information, statistics or representations concerning the Subject Store, its value, or the BAB Franchise, made to Transferee by the Seller, are not to be considered as being made by, or imputed to, BAB.
 - c. No statements or representations made to Transferee by the Seller as to the operation of the Subject Store, including expected sales volume, profitability or income, have been authorized by BAB.
 - d. Transferee or its agents have examined the books and records of the Seller covering the Seller's operations of the Subject Store.

- e. In agreeing with the Seller to acquire Seller's interest in the Subject Store, Transferee has relied on its own investigation and evaluation of such operation and/or upon the advice and opinion of Transferee's accountant, banker, or other advisor; and has considered whether there is a reasonable prospect that the Subject Store will yield a profit to Transferee commensurate with Transferee's investment therein, including, but not limited to, compensation for Transferee's labor in operating the Subject Store.

3. Transferee's Franchise Agreement, if executed prior to the closing of Transferee's purchase of the Seller's interest in the Subject Store, is contingent on the following conditions and events occurring:

- a. Transferee must meet all of BAB's criteria to qualify as a franchisee;
- b. Transferee must complete BAB's initial training program to BAB's satisfaction;
- c. All the requirements set forth in Paragraph 14.b.ii. of Seller's Franchise Agreement relating to transfer are performed;
- d. Transferee and the Seller close on Transferee's purchase of the Subject Store; and
- e. The Seller's Franchise Agreement is terminated by mutual agreement of the Seller and BAB.

Upon completion of the conditions and events set forth above in this Paragraph 3, BAB will issue a letter to Transferee acknowledging said fact; said letter will constitute BAB's consent to Transferee's purchase of the Subject Store.

4. If all the conditions set forth in Paragraph 3 are not met within _____ days of the date of Transferee's Franchise Agreement, BAB may, in its sole discretion, revoke its approval, by written notice to Transferee and to the Seller.

5. In partial consideration for BAB consenting to the transfer of the Seller's interest in the Subject Store, Transferee agrees to and hereby waives, as against BAB, and releases BAB and its employees and agents from, any and all claims or causes of action which Transferee, Transferee's heirs, legal representatives, successors or assigns have, or which may arise at any time (a) based upon any representation made to Transferee by the Seller, or by anyone else other than BAB, directly or indirectly, concerning the Subject Store; (b) in connection with any payment made or to be made to the Seller, with respect to Transferee's purchase of the Seller's interest in the Subject Store; or (c) relating to BAB's and Transferee's respective rights or obligations under any franchise or other agreement entered into between BAB and Transferee or an affiliate of Transferee prior to the date of this Waiver and Release (Subparagraph 5(c) applies only if Transferee already has one or more franchise agreements with BAB).

IN WITNESS WHEREOF the parties hereto have executed, sealed, and delivered this Agreement effective on the day and year first above written.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Proposed Transferee:

By: _____
Title: _____
Date Accepted: _____

Printed Name: _____
Date Signed: _____

EXHIBIT P TO FRANCHISE DISCLOSURE DOCUMENT

Financial Statements

Attached as Exhibit P are the Audited Financial Statements of BAB as of November 30, 2024, November 30, 2023, and November 30, 2022, ~~and for the years ended November 30, 2023, 2022, and 2021.~~

Our fiscal year ~~end~~ is ends November 30.

Insert Financial Statements

EXHIBIT Q TO FRANCHISE DISCLOSURE DOCUMENT

Master Table of Contents - Follows

Insert TOC from Rosanne 1/13/2020—it's 7 pages, saved in the folder "Exhibits to FDD"

I will insert your TOC as a pdf, because when I copy it in Word, it changes the font, capitalizations, etc. Plus I lose the logos.

EXHIBIT R TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDUM

Some administrators of franchise registration states may require BAB to enter into an addendum to the BAB SYSTEMS, INC. Franchise Disclosure Document and Franchise Agreement describing certain state laws or regulations which may supersede the Franchise Disclosure Document or Franchise Agreement. If you are in a registration state which requires an addendum, it will follow this page.

Attached are the state addenda for California, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia, and Wisconsin.

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

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The BAB Systems, Inc. Franchise Disclosure Document (“FDD”) for use in the State of California is modified in accordance with the following:

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
3. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
4. FRANCHISEE MUST SIGN A PERSONAL GUARANTEE TO AGREE TO BE PERSONALLY LIABLE FOR THE FRANCHISEE’S OBLIGATIONS MAKING YOU AND YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT IF YOU ARE MARRIED. THE GUARANTEE WILL PLACE YOUR AND YOUR SPOUSE’S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
5. 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.
6. THE BAGELS FRANCHISE AGREEMENT AND THE BAGELS AREA DEVELOPMENT AGREEMENT CONTAIN PROVISIONS WHICH MAY LIMIT FRANCHISEE’S RIGHTS INCLUDING BUT NOT LIMITED TO: A LIMITATION OF ACTIONS, WAIVER OF PUNITIVE DAMAGES, WAIVER OF JURY TRIAL AND CLASS ACTION WAIVER.
7. AS SECURITY FOR PAYMENT OF ALL SUMS DUE TO FRANCHISOR FROM FRANCHISEE, FRANCHISEE GRANTS A CONTINUING SECURITY INTEREST IN FRANCHISEE’S PROPERTY.
8. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

Neither BAB, nor any person or franchise broker in Item 2 of the FDD 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 such persons from membership in such association or exchange.

9. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

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

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

The BAGELS Franchise Agreement contains a waiver of jury trial clause. This provision may not be enforceable under California law."

The BAGELS Franchise Agreement requires binding arbitration. The arbitration will occur in Chicago, Illinois with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a BAGELS Franchise Agreement restricting venue to a forum outside the State of California.

The BAGELS Franchise Agreement requires that litigation of disputes (those not required to be arbitrated) will occur in the State of Illinois with the costs being borne by the losing party. This provision may not be enforceable under California law.

The BAGELS Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

10. 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.

11. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

This addendum to the BAGELS Franchise Agreement is agreed to this _____ day of _____, 20____, between BAB SYSTEMS, INC. (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

1. Paragraph 18.g. of the BAGELS Franchise Agreement on Limitation of Claims is amended by the addition of the following language to the original language that appears therein:

“The BAGELS Franchise Agreement provides that the Franchisee must give Franchisor written notice of at least fourteen (14) days prior to filing arbitration or litigation. This provision may not be enforceable under California law.”

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

Exhibit R
BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The following RISK FACTORS are added to the State Cover Page:

BAB, INC., THE FRANCHISOR'S PARENT COMPANY, IS THE OWNER OF THE TRADEMARKS.

THERE MAY BE OTHER RISKS GOVERNING THIS FRANCHISE.

The following are added to the Franchise Disclosure Document:

Illinois law governs the BAGELS Franchise Agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a BAGELS Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a BAGELS Franchise Agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement to add the following:

Illinois law governs the BAGELS Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a BAGELS Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a BAGELS Franchise Agreement may provide for arbitration to take place outside of Illinois.

Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

Rider A to BAGELS Franchise Agreement
(for use in Illinois)

TO THAT CERTAIN
BAB SYSTEMS BAGELS FRANCHISE AGREEMENT
BY AND BETWEEN BAB SYSTEMS, INC.
AND _____
DATED _____, 20____
(the "BAGELS Franchise Agreement")

The parties hereto agree that the BAB Systems Store to be operated by Franchisee pursuant to the BAGELS Franchise Agreement shall be located at the following premises:

Dated: _____

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

This Addendum is to a BAGELS Area Development Agreement dated _____, 20__ between BAB Systems, Inc. and _____ (Developer) to amend said Agreement to add the following:

Illinois law governs the BAGELS Area Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a BAGELS Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a BAGELS Franchise Agreement may provide for arbitration to take place outside of Illinois.

Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20_____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Developer:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

Exhibit R to Franchise Disclosure Document

**BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

This Addendum is to a Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20__.

**Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation**

**Franchisee:
Corporate/LLC Signature:**

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**BAB SYSTEMS, INC.
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF INDIANA**

This Addendum is to an Area Development Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Developer) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Area Development Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Area Developer:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

The BAB Systems, Inc. Franchise Disclosure Document (“FDD”) for use in the State of Maryland is modified in accordance with the following:

4. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

The provision in the BAGELS Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11. U.S.C. Section 101 et. seq.).

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the BAGELS Franchise Agreement on Renewal, and Paragraph 14.b. of the BAGELS Franchise Agreement on Transfer by Franchisee are amended by the addition of the following language to the original language that appears therein:

"Any provision allowing Franchisee to execute a general release of any and all claims against Franchisor shall not apply to any liability under Maryland Franchise Registration and Disclosure Law."

2. Paragraph 10.a. of the BAGELS Franchise Agreement on Marketing and Promotion by Franchisor is amended by the addition of the following language to the original language that appears therein:

"Franchisor will provide Franchisee with an annual accounting of the advertising fees collected."

3. Section 16 of the BAGELS Franchise Agreement on Termination by Franchisor for Cause is amended by the addition of the following language to the original language that appears therein:

"Termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

4. Paragraph 18.e. of the BAGELS Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Paragraph 18.g. of the BAGELS Franchise Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Franchisee for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

6. Section 20 of the BAGELS Franchise Agreement on Acknowledgements by Franchisee shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this__day of , 20__.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

This Addendum is to a BAGELS Area Development Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Developer) to amend said Agreement as follows:

1. Paragraph 1.E. of the BAGELS Area Development Agreement on Acknowledgements by Developer shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

2. Paragraph 13.F. of the BAGELS Area Development Agreement on Exclusive Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

3. Paragraph 13.J. of the BAGELS Area Development Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Developer for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

Signature page follows

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this ___ day of , 20__.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Developer:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**BAB SYSTEMS, INC.
ADDENDUM TO THE ACKNOWLEDGEMENT AND DISCLOSURE STATEMENT
FOR THE STATE OF MARYLAND**

This Addendum is to an Acknowledgement and Disclosure Statement dated _____, 20____ between BAB Systems, Inc. and _____ (Franchisee) to amend said Statement as follows:

"Nothing contained in this Statement is intended to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

Date: _____

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The BAB Systems, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

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

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

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

BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____ (Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the BAGELS Franchise Agreement on Renewal and Section 16 of the BAGELS Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the BAGELS Franchise Agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Paragraph 2.b. of the BAGELS Franchise Agreement on renewal and Paragraph 14.b. of the BAGELS Franchise Agreement on the Transfer by Franchisee are amended by the addition of the following language to the original language that appears therein.

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

3. Section 5 of the BAGELS Franchise Agreement on Marks is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

4. Paragraph 17.d. of the BAGELS Franchise Agreement on Covenants Not to Compete is amended by the addition of the following language to the original language that appears therein:

"These provisions may not be enforceable under Minnesota law."

5. Paragraph 18.e. of the BAGELS Franchise Agreement on Governing Law/Consent to Jurisdiction is amended by the addition of the following language to the original language that appears therein:

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

6. Paragraph 18.f. of the BAGELS Franchise Agreement on Waiver of Jury Trial is deleted in its entirety.

7. Paragraph 18.g. of the BAGELS Franchise Agreement on Limitations of Claims is amended by the addition of the following language to the original language that appears therein:

"The statute of limitations under the Minnesota Stat. Sec. 80C.17 Subd. 5 shall govern for actions brought under that law."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

The BAB Systems, Inc. Offering Prospectus for use in the State of New York is modified in accordance with the following:

1. All references made here to a Franchise Disclosure Document shall be amended to Offering Prospectus.
2. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

franchise system or its business operations.

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

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

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of

this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

7. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

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

8. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

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

9. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the BAGELS Franchise Agreement on Renewal and Paragraph 14.b. of the BAGELS Franchise Agreement on Transfer by Franchisee shall be amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied."

2. Paragraph 14.a. of the BAGELS Franchise Agreement on Transfer by Franchisor shall be amended by the addition of the following language to the original language that appears herein:

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its BAGELS Franchise Agreements."

3. Paragraph 18.e. of the BAGELS Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this__day of _____, 20__.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK

This Addendum is to a BAGELS Area Development Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. Paragraph 12.B. of the BAGELS Area Development Agreement on Transfer by Developer shall be amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied."

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its BAGELS Franchise Agreements."

2. Paragraph 13.E. of the BAGELS Area Development Agreement on Governing Law shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this __ day of , 20__.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Developer:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

The Franchisor represents that this offering prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

The BAB Systems, Inc. Franchise Disclosure Document for use in the State of North Dakota is modified in accordance with the following:

1. Item 17, c. of the Franchise Disclosure Document on "Requirements for you to renew or extend" is amended by the addition of the following:

"The execution of a general release upon renewal shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."

2. Item 17, i. of the Franchise Disclosure Document on "Franchisee's obligations on termination/ nonrenewal" is amended by the addition of the following:

"The liquidated damages provisions in Section 17.g. of the Franchise Agreement (Liquidated Damages) shall not apply in the State of North Dakota."

3. Item 17, r. of the Franchise Disclosure Document on "Non-competition covenants after the franchise is terminated or expires" is amended by the addition of the following:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."

4. Item 17, u. of the Franchise Disclosure Document on "Dispute resolution by arbitration or mediation" shall be amended by the addition of the following:

"Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties."

5. Item 17, v. of the Franchise Disclosure Document on "Choice of forum" shall be amended by the addition of the following:

"The consent to the jurisdiction of the courts of the state of Illinois shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."

6. Item 17, w. of the Franchise Disclosure Document on "Choice of law" shall be amended by the addition of the following:

"Section 17.e. of the BAGELS Franchise Agreement on "Governing Law/Consent to Jurisdiction" is inapplicable to franchises operating under the North Dakota Franchise Investment Law."

BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____ (Franchisee) to amend said Agreement as follows:

1. Section 2.b.i(i). of the BAGELS Franchise Agreement on "Renewal" is amended by the addition of the following language to the original language that appears therein:

"The execution of a general release upon renewal shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."

2. Section 17.d. of the BAGELS Franchise Agreement on "Covenant Not to Compete" is amended by the addition of the following language to the original language that appears therein:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."

3. Section 17.g. of the BAGELS Franchise Agreement on "Liquidated Damages" is deleted in its entirety.

4. Section 18.e. of the BAGELS Franchise Agreement on "Governing Law/Consent to Jurisdiction" is deleted in its entirety.

5. Section 18.f. of the BAGELS Franchise Agreement on "Waiver of Jury Trial" is deleted in its entirety.

6. Section 18.g. of the BAGELS Franchise Agreement on "Limitation of Claims" is deleted in its entirety.

7. Section 18.l.i.of the BAGELS Franchise Agreement on "Mandatory and Binding Arbitration" shall be amended in part as follows:

"Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties."

8. Section 18.l.ii. of the BAGELS Franchise Agreement on "Mandatory and Binding Arbitration" is amended in part by deleting the following phrase: "...provided that the arbitrator shall not have the authority to award exemplary or punitive damages..."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this _____ day of _____, 20__.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

This Addendum is to a BAGELS Area Development Agreement dated _____, 20____ between BAB Systems, Inc. and _____(Area Developer) to amend said Agreement as follows:

1. Section 11.C. of the BAGELS Area Development Agreement on "Covenant Not to Compete" is amended by the addition of the following language to the original language that appears therein:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."

2. Section 13.E. of the BAGELS Area Development Agreement on "Governing Law" is deleted in its entirety.
3. Section 13.F. of the BAGELS Area Development Agreement on "Exclusive Jurisdiction" is deleted in its entirety.
4. Section 13.G(1) of the BAGELS Area Development Agreement on "Mandatory and Binding Arbitration" shall be amended in part as follows:

"Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties."

5. Section 13.G(2) of the BAGELS Area Development Agreement on "Mandatory and Binding Arbitration" is amended in part by deleting the following phrase: "...provided that the arbitrator shall not have the authority to award exemplary or punitive damages..."
6. Section 13.I. of the BAGELS Area Development Agreement on "Waiver of Jury Trial" is deleted in its entirety.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this ___ day of _____, 20____.

Franchisor:

Developer:

Big Apple Bagels

**BAB SYSTEMS, INC.
an Illinois corporation**

Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND**

1. Item 17 of the BAB Systems, Inc. Franchise Disclosure Document for use in the State of Rhode Island is modified to add the following:

19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a BAGELS Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

**BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND**

This addendum to the BAGELS Franchise Agreement is agreed to this _____ day of _____, 20____, between BAB SYSTEMS, INC. (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

- 1. Paragraph 18.1.i. of the BAGELS Franchise Agreement on Arbitration is amended by the addition of the following language to the original language that appears therein:

"Rhode Island law provides with respect to a claim enforceable under the Rhode Island Franchise Investment Act, that any provision in a BAGELS Franchise Agreement which restricts jurisdiction or venue outside of Rhode Island is void. Accordingly arbitration of a claim enforceable under the Act will be conducted in Rhode Island unless the franchisee agrees otherwise."

- 2. Paragraph 18.e. of the BAGELS Franchise Agreement on Governing Law is amended by the addition of the following language to the original language that appears therein:

"The Rhode Island Franchise Investment Act provides with respect to a claim enforceable under the Act that any provision in a BAGELS Franchise Agreement requiring application of the laws of a state other than Rhode Island is void. Accordingly Rhode Island laws will apply to a claim enforceable under the Act."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20_____.

**Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation**

**Franchisee:
Corporate/LLC Signature:**

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

This Addendum is to the Franchise Disclosure Document of BAB Systems, Inc. for the Commonwealth of Virginia.

Item 17.h. shall be amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the BAGELS Franchise Agreement or the BAGELS Area Development Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Item 20 shall be amended to replace Table 3 with the following:

Table No. 3
 Status Franchised Outlets
 For years ~~2021~~2022 to ~~2023~~2024

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col.10	Col. 11
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	# Production Stores	# Satellite Stores	Outlets at End of the Year
California	2022 2021	3	0	0	0	0	0	3	0	3
	2022 2022	3	0	0	0	0	0 1	3	0	3 2
	2023 2023	3 2	0 1	0	0	0	0 1	2	0	3 2
Florida	2022 2021	1	0	0	0	0	0	1	0	1
	2022 2022	1	0	0	0	0	0	1	0	1
	2023 2023	1	0	0	0	0	0	1	0	1
Illinois	2022 2021	3	0	0	0	0	0	3	0	3
	2022 2022	3	0	0	0	0	0	3	0	3
	2023 2023	3	0	0	0	0	0	3	0	3
Indiana	2022 2021	3	0	0	0	0	0	3	0	3
	2022 2022	3	0	0	0	0	0	3	0	3
	2023 2023	3	0	0	0	0	0	3	0	3
Iowa	2022 2021	1	0	0	0	0	0	1	0	1
	2022 2022	1	0	0	0	0	0	1	0	1
	2023 2023	1	0	0	0	0	0	1	0	1
Michigan	2022 2021	24 23	0	0	0	0	1	23	0	23 22
	2022 2022	23 22	0	0	0	0	1 0	22	0	22
	2023 2023	22	0	0	0	0	0	22	0	22
Minnesota	2022 2021	2	0	0	0	0	0	2	0	2
	2022 2022	2	0	0	0	0	0	2	0	2
	2023 2023	2	0	0	0	0	0	2	0	2
Nebraska	2022 2021	2	0	0	0	0	0	2	0	2
	2022 2022	2	0	0	0	0	0	2	0	2
	2023 2023	2	0	0	0	0	0	2	0	2
Nevada	2022 2021	1	0	0	0	0	0 1	0	0 1	1 0
	2022 2022	1 0	0	0	0	0	0 1	0	0	0
	2023 2023	0	0	0	0	0	0	0	0	0
Ohio	2022 2021	1	0	0	0	0	0	1	0	1
	2022 2022	1	0	0	0	0	0	1	0	1
	2023 2023	1	0	0	0	0	0	1	0	1
Pennsylvania	2021	1	0	0	0	0	0	1	0	1

Big Apple Bagels

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col.10	Col. 11
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	# Production Stores	# Satellite Stores	Outlets at End of the Year
	2022	1	0	0	0	0	0	1	0	1
	2023	1	0	0	0	0	0	1	0	1
South Carolina	2022	1	0	0	0	0	0	1	0	1
	2023	1	0	0	0	0	0	1	0	1
	2024	1	0	0	0	0	0	1	0	1
Washington	2022	1	0	0	0	0	0	1	0	1
	2023	1	0	0	0	0	0	1	0	1
	2024	1	0	0	0	0	0	1	0	1
Wisconsin	2022	9	0	0	0	0	0	9	0	9
	2023	9	0	0	0	0	0	9	0	9
	2024	9	0	0	0	0	0	9	0	9
Wyoming	2021	<u>10</u>	0	0	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0
All States and Totals	2022	<u>5452</u>	0	0	0	0	2	<u>5150</u>	<u>10</u>	<u>5250</u>
	2023	<u>5250</u>	0	0	0	0	<u>21</u>	<u>5049</u>	0	<u>5049</u>
	2024	<u>5049</u>	<u>01</u>	0	0	0	1	49	0	49

**EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. Paragraph 16.a.x. of the BAGELS Franchise Agreement on Termination for Failure to Complete Training is amended to read in its entirety as follows:

Successful Completion of Training. The grant of the franchise herein is conditioned upon successful completion of the sales/operations seminar and technical training seminar by Franchisee (or Franchisee's individual owner if Franchisee is a corporation, partnership, or other entity.) If during the course of the training programs or within fifteen (15) days thereafter Franchisor concludes that Franchisee has not successfully completed the sales/operations seminar and technical training seminar, Franchisor may, in its sole discretion and judgment, cancel this Agreement and all rights hereunder, where permitted by applicable law, by giving notice to Franchisee and tendering to Franchisee a refund of its initial franchise fee less an amount to cover the reasonable expenses incurred by Franchisor in connection with training Franchisee. Franchisee agrees that such refund shall be the full extent of Franchisor's liability and responsibility in the event of such cancellation, and Franchisee and its owners shall execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, officers, directors, employees and agents. Upon cancellation of this Agreement, Franchisee shall return to Franchisor all materials, manuals, information and all other items that Franchisee received from Franchisor, including all copies thereof and notes thereon which Franchisee may have or control. Franchisee further agrees to maintain strictly the confidentiality of all information received relating to the BAB System and not to use in the operation of a food service or similar business, any trade secrets or confidential information obtained from Franchisor in the course of the training program or otherwise.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20_____.

**Franchisor:
BAB SYSTEMS, INC.**

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

**EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

This Addendum is to the Franchise Disclosure Document of BAB Systems, Inc. for the State of Washington.

1. The State of Washington has a Statute, RCW 19.100.180 which may supersede the BAGELS Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the BAGELS Franchise Agreement in your relationship within the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration or mediation. In addition, if litigation is not precluded by the BAGELS Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these

limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the BAGELS Franchise Agreement or elsewhere are void and unenforceable in Washington.

**EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
WASHINGTON ADDENDUM TO THE BAGELS PRELIMINARY
AGREEMENT, DISCLOSURE ACKNOWLEDGMENT STATEMENT,
AND RELATED AGREEMENTS**

This Addendum is to an BAGELS Preliminary Agreement dated _____, 20__ between BAB Systems, Inc. and _____ (Prospective Franchisee) to amend said Agreement as follows:

1. The State of Washington has a Statute, RCW 19.100.180 which may supersede the BAGELS Preliminary Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the BAGELS Preliminary Agreement in your relationship within the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration or mediation. In addition, if litigation is not precluded by the BAGELS Preliminary Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's

earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the BAGELS Preliminary Agreement or elsewhere are void and unenforceable in Washington.

8. The undersigned does hereby acknowledge receipt of this addendum.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Prospective Franchisee:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
WASHINGTON ADDENDUM TO THE BAGELS FRANCHISE
AGREEMENT, DISCLOSURE ACKNOWLEDGMENT STATEMENT,
AND RELATED AGREEMENTS

This Addendum is to an BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. The State of Washington has a Statute, RCW 19.100.180 which may supersede the BAGELS Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the BAGELS Franchise Agreement in your relationship within the franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration or mediation. In addition, if litigation is not precluded by the BAGELS Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise

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agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the BAGELS Franchise Agreement or elsewhere are void and unenforceable in Washington.

8. The undersigned does hereby acknowledge receipt of this addendum.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

**Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation**

**Franchisee:
Corporate/LLC Signature:**

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
WASHINGTON ADDENDUM TO THE BAGELS AREA
DEVELOPMENT AGREEMENT, DISCLOSURE
ACKNOWLEDGMENT STATEMENT, AND RELATED
AGREEMENTS**

This Addendum is to an BAGELS Area Development Agreement dated _____, 20____ between BAB Systems, Inc. and _____ (Developer) to amend said Agreement as follows:

1. The State of Washington has a Statute, RCW 19.100.180 which may supersede the BAGELS Area Development Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the BAGELS Area Development Agreement in your relationship within the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration or mediation. In addition, if litigation is not precluded by the BAGELS Area Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's

earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the BAGELS Area Development Agreement or elsewhere are void and unenforceable in Washington.

8. Paragraph 14.B.(2) of the BAGELS Area Development Agreement shall be modified by deleting the first sentence, as follows:

Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by granting any waiver, approval, or consent to Developer, or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Developer of ten (10) days' prior written notice.

9. The undersigned does hereby acknowledge receipt of this addendum.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation

Developer:
Corporate/LLC Signature:

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

**EXHIBIT R to FRANCHISE DISCLOSURE DOCUMENT
BAB SYSTEMS, INC.
ADDENDUM TO THE BAGELS FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN**

This Addendum is to a BAGELS Franchise Agreement dated _____, 20__ between BAB Systems, Inc. and _____(Franchisee) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

**Franchisor:
BAB SYSTEMS, INC.
an Illinois corporation**

**Franchisee:
Corporate/LLC Signature:**

a _____ corporation/LLC

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Accepted: _____

Individual Signatures:

EXHIBIT S TO FRANCHISE DISCLOSURE DOCUMENT

State Effective Dates

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

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

State	Effective Date
California	Not registered Pending
Hawaii	Not registered
Illinois	Pending 2/9/2024
Indiana	3/1/2024 Pending
Maryland	2/29/2024 Pending
Michigan	3/28/2024 Pending
Minnesota	Pending
New York	2/22/2024 Pending
North Dakota	3/7/2024 Pending
Rhode Island	3/16/2024 Pending
South Dakota	3/30/2024 Pending
Virginia	Pending
Washington	3/6/2024 Pending
Wisconsin	2/7/2024 Pending

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

RECEIPT (Your Copy)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If BAB Systems, Inc. (“BAB” or “Franchisor”) offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York state law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If BAB does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agencies listed in Exhibit J. BAB authorizes the agents listed in Exhibit K to receive service of process for BAB.

The issuance date of this Franchise Disclosure Document is February ~~4, 2024~~, 2025.

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

___ Kenneth E. Liczwek, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Geraldine Conn, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Michael Evans, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Michael Murtaugh, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Leslie Walters, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Brian Evans, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

Jerry Jurgens, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800-251-6101

Other: _____, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

The names of additional franchise sellers will be provided to you prior to your signing the Franchise Agreement.

~~___ Other: _____, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101~~

~~The names of additional franchise sellers will be provided to you prior to your signing the Franchise Agreement.~~

I have received a Franchise Disclosure Document with an issuance date of February ~~4, 2024~~, 2025, and an effective date for state registrations as noted on the Exhibit S of this Disclosure Document. This Franchise Disclosure Document includes the following Exhibits:

- Exhibit A - Preliminary Agreement
- Exhibit B - Franchise Agreement and Riders
- Exhibit C - Area Development Agreement
- Exhibit D - Disclosure Acknowledgement Statement
- Exhibit E - Confidentiality and Non-Competition Agreement
- Exhibit F - Wholesale Program Addendum
- Exhibit G - Catering Program Addendum
- Exhibit H - List of Current Franchisees and Company Stores
- Exhibit I - List of Former or Inactive Franchisees
- Exhibit J - List of State Administrators

- Exhibit K - List of Agents for Service of Process
- Exhibit L - General Release
- Exhibit M - Assignment Agreement (to entity)
- Exhibit N – Assignment Agreement (between unrelated Franchisees)
- Exhibit O - Transferee's Waiver and Release
- Exhibit P - Financial Statements
- Exhibit Q – Table of Contents of BAGELS Operations Manual
- Exhibit R – State Addenda for CA, IL, IN, MI, MD, MN, NY, ND, RI, VA, and WI
- Exhibit S - State Effective Dates

Dated: _____

By: _____
Individually and/or as an Officer or Partner of:

- A _____ Corporation
- A _____ Partnership
- A _____ Limited Liability Company

(BAB FDD [2024.0032025.001](#) multistate, BAB FA [20242025.001](#))

KEEP THIS COPY FOR YOUR RECORDS

RECEIPT (BAB's Copy)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If BAB Systems, Inc. ("BAB" or "Franchisor") offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York state law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If BAB does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agencies listed in Exhibit J. BAB authorizes the agents listed in Exhibit K to receive service of process for BAB.

The issuance date of this Franchise Disclosure Document is February ~~4, 3, 2025~~2024

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

___ Kenneth E. Liczwek, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Geraldine Conn, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Michael Evans, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Michael Murtaugh, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Leslie Walters, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ Brian Evans, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ ~~Other:~~ Jerry Jurgens, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

___ ~~Other:~~ _____, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

~~The names of additional franchise sellers will be provided to you prior to your signing the Franchise Agreement.~~

~~The names of additional franchise sellers will be provided to you prior to your signing the Franchise Agreement.~~

I have received a Franchise Disclosure Document with an issuance date of February ~~4, 3, 2025~~2024, and an effective date for state registrations as noted on Exhibit S of this Disclosure Document. This Franchise Disclosure Document includes the following Exhibits:

- Exhibit A - Preliminary Agreement
- Exhibit B - Franchise Agreement and Riders
- Exhibit C - Area Development Agreement
- Exhibit D - Disclosure Acknowledgement Statement
- Exhibit E - Confidentiality and Non-Competition Agreement
- Exhibit F - Wholesale Program Addendum
- Exhibit G - Catering Program Addendum
- Exhibit H- List of Current Franchisees and Company Stores
- Exhibit I - List of Former or Inactive Franchisees
- Exhibit J - List of State Administrators

- Exhibit K - List of Agents for Service of Process
- Exhibit L - General Release
- Exhibit M - Assignment Agreement (to entity)
- Exhibit N – Assignment Agreement(between unrelated Franchisees)
- Exhibit O - Transferee's Waiver and Release
- Exhibit P - Financial Statements
- Exhibit Q – Table of Contents of BAGELS Operations Manual
- Exhibit R – State Addenda for CA, IL, IN, MI, MD, MN, NY, ND, RI, VA, and WI
- Exhibit S - State Effective Dates

Dated: _____

By: _____

Individually and/or as an Officer or Partner of:

- _____ Corporation
- A _____ Partnership
- A _____ Limited Liability Company

(BAB FDD ~~2025.001~~2024.003 multistate, BAB FA ~~2025~~2024.001)

Please sign this copy of the receipt, date your signature, and return to BAB Systems, Inc.
(mail to 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015)