

FRANCHISE DISCLOSURE DOCUMENT

	HURTS DONUT COMPANY, LLC A Missouri Limited Liability Company 2034 W. Vista Street Springfield, MO 65807 (417) 368-0279 tim@hurtsdonutco.com www.wannahurts.com
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We offer the opportunity to own and operate a donut store.

The total investment necessary to begin operation of a single unit Hurts Donut franchise ranges from ~~\$502,504~~,000 to ~~\$819,825~~,000. This includes \$75,000 - \$114,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of 3-5 Hurts Donut franchises pursuant to a Multi-Territory Addendum ranges from ~~\$557,559~~,000 to ~~\$909,915~~,000. This includes \$130,000 - \$204,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Timothy Clegg at 2034 West Vista Street, Springfield, MO 65807, telephone (417) 368-0279.

The terms of your contract will govern the franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract 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. You can contact the FTC at 1 (877) FTC-Help or by writing to the FTC at 600 Pennsylvania Avenue, N. W. Washington D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: ~~June 9, 2023~~May 7, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit B.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
Will my business be the only Hurts Donut 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 Hurts Donut franchisee?	Item 20 or Exhibits B and C list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Missouri. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Missouri than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to 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 obligation 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 ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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EXHIBITS:

A:	State Administrators and Agents for Service of Process
B:	List of Franchisees
C:	Former Franchisees
D:	Table of Contents to Operations Manual
E:	Franchise Agreement
	Attachment 1: Territory
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J:	State Effective Dates
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ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR AND AFFILIATES

The Franchisor

To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to Hurts Donut Company, LLC d/b/a The Hurts Donut (“The Hurts Donut”), the franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

We are a Missouri limited liability company organized on April 24, 2015. Our principal place of business is 2034 West Vista Street, Springfield, MO 65807.

We do business under our corporate name and under the name The Hurts Donut Co.

Exhibit A contains our agents for service of process.

Parents and Predecessors

We do not have any parents or predecessors.

Affiliates

We have an affiliate, T&C Ventures, LLC d/b/a Hurts Donut Company, formed on September 3, 2013 with a principal place of business at 320 Park Central West, Springfield, MO 65806. T&C Ventures has operated a company owned donut store since 2013. T&C Ventures does not offer products or services to franchisees and has never offered franchises in any line of business.

We have an affiliate, Hole Foods, LLC d/b/a Hurts Donut Company, formed on January 3, 2017 with a principal place of business at 1111 E. Republic Road, #164, Springfield, MO 65807. Hole Foods has operated a company owned donut store since 2017. Hole Foods does not offer products or services to franchisees and has never offered franchises in any line of business.

We have an affiliate, Here’s Your Sign, LLC, formed on May 1, 2018 with a principal place of business at 2034 West Vista Street, Springfield, MO 65807. Here’s Your Sign provides signage and branded marketing material to our unit franchisees and may provide certain marketing material to franchisees as well. Here’s Your Sign has never offered franchises in any line of business.

We have an affiliate, HDC Financial LLC, formed on October 16, 2020 with a principal place of business at 2034 West Vista Street, Springfield, MO 65807. HDC Financial provides financing to franchisees. HDC Financial has never offered franchises in any line of business.

The Business We Offer

You will offer Hurts Donut Store offering customers donuts with unique toppings and ingredients in a distinctive, casual 24 hour, 7 days per week setting, and full-service espresso.

Multi-Territory Addendum. If you acquire the rights to develop multiple territories from us pursuant to a Multi-Territory Addendum (Attachment 6 to the Franchise Agreement), you will be required to sign our then current franchise agreement, which may contain terms and conditions which are different from those in the first franchise agreement you sign with us, at the time you are to acquire each additional territory.

Market and Competition

The general market for donut stores is well developed. This is a year-round business.

The primary competition comes from other local, regional, and national chains that sell similar products, along with bakeries and other stores that offer donuts.

Industry-Specific Laws and Regulations

Your business may be subject to various federal, state, and local laws and regulations, including those that (i) establish general standards, specifications, and requirements for the construction, design, and maintenance of restaurant premises, (ii) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements for restaurants, employee practices concerning the storage, handling, cooking, and preparation of food and beverages, restrictions on smoking, availability of and requirements for public accommodations, including restrooms, (iii) establish menu disclosure standards, and (iv) regulate the proper use, storage, and disposal of waste materials. You should investigate the application of these laws further.

Prior Experience

We began offering unit franchises in 2015. Our affiliates have operated donut stores since 2013 as company owned outlets. We have not conducted any other business activities.

We offered Area Representative franchises from October 2020 – October 2021, pursuant to a separate Franchise Disclosure Document, but no longer offer Area Representative franchises.

As of December 31, ~~2022~~2023, we had one Area Representative franchise.

Area Representatives

In the Dallas Ft. Worth market area, we use Area Representatives to recruit and offer limited support to unit franchisees in exchange for a portion of the initial franchise fee and royalties paid by unit franchisees. However, Area Representatives do not have management responsibility related to the franchise. Nonetheless, we include a list of Area Representatives as of the end of our last fiscal year as Exhibit H to this disclosure document.

ITEM 2. BUSINESS EXPERIENCE

Timothy Clegg, Chief Executive Officer. Mr. Clegg has served as our Chief Executive Officer since April 2015. From May 2018 to the present, Mr. Clegg has also served as the Chief Executive Officer of our affiliate, Here's Your Sign, LLC, in Springfield, Missouri. From September 2013 to the present, Mr. Clegg has also served as the Chief Executive Officer of our affiliate, T&C Ventures, LLC, in Springfield, Missouri. From June 2011 to July 2019, Mr. Clegg also served as an Owner of Cold as Ice, LLC d/b/a SnoBiz in Springfield, Missouri.

Kasondra Clegg, Chief Marketing Officer. Ms. Clegg has served as our Chief Marketing Officer since April 2015. From May 2018 to the present, Ms. Clegg has also served as the Chief Marketing Officer of our affiliate, Here's Your Sign, LLC, in Springfield, Missouri. From September 2013 to the present, Ms. Clegg has also served as the Chief Marketing Officer of our affiliate, T&C Ventures, LLC, in Springfield, Missouri. From June 2011 to July 2019, Ms. Clegg also served as an Owner of Cold as Ice, LLC d/b/a SnoBiz in Springfield, Missouri.

Scott Bussard, Chief Financial Officer. Mr. Bussard has served as our Chief Financial Officer since April 2015. From May 2018 to the present, Mr. Bussard has also served as the Chief Financial Officer of our affiliate, Here's Your Sign, LLC, in Springfield, Missouri.

ITEM 3. LITIGATION

~~Sooner One, LLC v. DL Dunn Investments, LLC and Vanessa Goodman v. Hurts Donut Company, LLC, Case No. 19AO-CC0072, In the Circuit Court of Jasper County, Missouri (File May 24, 2019). Our Franchisee, DL Dunn Investments, LLC and its member Vanessa Goodman, filed suit against Hurts Donut Company, LLC claiming that we did not provide her with information concerning the costs and expenses related to starting the franchise as well as the associated risks and expenses involved in setting up a franchise. They also claim we improperly terminated her franchise. Hurts Donut Company, LLC strongly denies these allegations. No specific demand for damages has been asserted and no trial date is currently set.~~

~~Other than the foregoing, no~~No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Initial Franchise Fee: Single Unit. When you sign the Franchise Agreement, you will pay an initial franchise fee to us in the amount of \$35,000 for a single unit franchise.

Initial Franchise Fee: Multi-Territory Addendum. You may purchase three territories from us, upon our approval, for \$90,000, if purchased at the same time. You may likewise purchase five territories from us, upon our approval, for \$125,000, if purchased at the same time. In either case, you must enter into the Multi-Territory Addendum appended as Attachment 6 to the Franchise Agreement.

Initial Training Fee. You agree to pay to us a \$10,000 initial training fee after we complete the portion of initial training that is conducted at your store.

Display Cases. You must purchase two display cases from us for \$6,000 before you open for business.

Merchandise Offerings. You must purchase approximately \$5,000 - \$15,000 in merchandise offerings (such as drinkware and a donut “ambulance”) from us before opening.

Sign Package. We require you to purchase a sign package from our affiliate, Here’s Your Sign, LLC, before you open for business, which ranges in price from \$15,000 - \$40,000, depending upon the size and layout of your outlet.

Vehicle Wrap. You must purchase vehicle wrap from our affiliate, Here’s Your Sign, LLC, before you open for business, which ranges in price from \$4,000 - \$8,000.

Refundability of initial fees. The initial fees are not refundable once paid.

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ITEM 6. OTHER FEES

Type Of Fee	Amount	Due Date (Note 3)	Remarks
Relocation Fee	\$2,000	Before relocation	Payable to us if you seek our approval to relocate your outlet in your territory. Franchise Agreement ("FA") Secs. 3.3(e) and 6.7
Additional Assistance Fee	Per our then current fee schedule plus our per diem, travel, and living expenses	At time of assistance	Payable to us for additional assistance you may request from us. FA Sec. 5.3
Royalty (Notes 1 and 2)	7% of weekly Gross Revenues	On every Monday	See Note 2 for a definition of "Gross Revenues." FA Sec. 6.2
Audit Costs	Our actual expenses	Upon invoice	Payable to us if an audit reveals <u>an</u> underpayment of 3% or more or we have to re-inspect due to a failed store audit. FA Sec. 6.4
Continuing Education Fee	Our actual costs	At time of education	Payable if we provide continuing education programs for you or your employees. FA Sec. 6.5.
Resale Fee	\$17,500	Before resale	Payable if you resell your franchise. FA Sec. 6.6
Interest and Late Fee	\$100 plus 18% interest or the highest rate permitted by law, whichever is less	Upon invoice	Payable on late payments. FA Sec. 6.8
Marketing Royalty	2% of weekly Gross Revenues	Each Monday	We have not yet implemented this fee but intend to do so in the future. FA Sec. 6.10
Training Fee	\$10,000	Upon Completion of In-Store Training	Payable to us upon the completion of <u>completing</u> the in-store portion of your initial training. FA Sec. 6.11

Support Fee and Help Line Fee	\$80/hour	Each Monday	We offer operational support in exchange for this fee. FA Sec. 6.12
Artwork Fee	\$500	At time of purchase	If we authorize you to wrap a vehicle by a company other than our affiliate, Here's Your Sign, LLC, you agree to pay this fee to our affiliate. FA Sec. 6.13
<u>Secret Shopper Report Fee</u>	<u>\$80</u>	<u>Monthly</u>	<u>You must pay this fee to us for our administration of the Secret Shopper Program and Reporting.</u>
<u>Store Uncleanliness Fee</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>If you fail a Front of House audit due to uncleanliness, you must pay us this fee.</u>
<u>Non-Compliance with Documentation Requests Fee</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>You must pay us this fee if you fail to provide documentation pursuant to the Franchise Agreement.</u>
<u>Improper use of Trademark, Brand materials, or IP Fee</u>	<u>\$1,000</u>	<u>Per Occurrence</u>	<u>You must pay us this fee if you improperly use our trademark, brand materials, or intellectual property.</u>
<u>Unauthorized Use of Product/Supplier Fee</u>	<u>\$1,000</u>	<u>Per Occurrence</u>	<u>You must pay us this fee if you use or provide products or services while utilizing a product or supplier that is not approved by us.</u>
<u>Non-Use of Required Products or Services Fee</u>	<u>\$1,000</u>	<u>Per Occurrence</u>	<u>You must pay us this fee if you fail to use or provide our required products or services.</u>
<u>Unauthorized Packaging Fee</u>	<u>\$1,000</u>	<u>Per Occurrence</u>	<u>You must pay us this fee if you use improper or unauthorized packaging for the required products.</u>
<u>Poor Product Quality Fee</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>If, during an audit, the product(s) fail to meet the quality standards in the Operations Manual, you must pay us this fee.</u>
<u>Failure to Meet Deadlines to Utilize</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>If you fail to implement new equipment, products or</u>

<u>New Equipment, products, processes</u>			<u>processes by a deadline provided by us, you must pay us this fee.</u>
<u>Hygiene/Dress Code Violation Fee</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>If, during an audit, you or your employees fail to follow hygiene/dress code requirements, you must pay us this fee.</u>
<u>Health or Safety Violation Fee</u>	<u>\$250</u>	<u>Per Occurrence</u>	<u>If you fail a Back of House audit, you must pay us this fee.</u>
<u>Miscellaneous Non-Compliance Fee</u>	<u>\$250</u>	<u>Monthly until rectified</u>	<u>If you fail to operate according to the standards and processes outlined in the Operations Manual, we may levy a fee, which you must pay.</u>
Sales, excise, or gross receipts tax	Actual amount incurred	At time of payment	If required by the federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs. FA Sec. 6.14
Third party charges that we specify or incur on your behalf	Actual amount incurred	At time of payment	If we incur third party charges on your behalf, you agree to reimburse us for any such charges. If we specify third party vendors, you agree to pay their charges. FA Sec. 6.15
Indemnification	Our actual costs and damages	As incurred	Payable for expenses and liabilities you cause us to incur. FA Sec. 8.5.
Attorney Fees	Our actual costs and fees	As incurred	If we are the prevailing party in any litigation with you, or you sue an Area Representative, you must reimburse our costs and attorney fees. FA Secs. 11.11 and 11.13

Note 1- All fees are uniformly imposed by, payable to, and collected by us. All fees are non-refundable.

Note 2- Gross Revenues are defined as "the total amount of money or other compensation

received or earned by you and your Related Parties for all goods sold and services rendered from the Accepted Location or in connection with the Trade Name or Marks, excluding money received for sales tax, returned merchandise, and sale of types of items not currently constituting part of the HDC System and specifically exempted from the definition of 'Gross Revenue' in writing by HDC, within an accounting period."

Note 3: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. See Schedule 2 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

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ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (Table 1- Single Unit)

EXPENSE	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	Upon Signing	Us
Rent & Security Deposit (Note 2)	\$10,000	\$15,000	Lump Sum	At Lease Signing	Landlord
Initial Training Fee (Note 3)	\$10,000	\$10,000	As Arranged	After training	Us
Leasehold Improvements (Note 4)	\$200,000	\$350,000	As Arranged	As Incurred	Contractor
Architectural/ Engineering (Note 5)	\$6,000	\$15,000	As Arranged	As Incurred	Suppliers and Local Govt.
Opening Inventory and Food Ingredients (Note 6)	\$40,000	\$70,000	As Arranged	As Incurred	Suppliers
Equipment and Smallwares (Note 7)	\$125,000	\$175,000	As Arranged	As Incurred	Suppliers
Furniture (Note 8)	\$9,000	\$12,000	As Arranged	As Incurred	Suppliers and Us
Computer Hardware, Software, and POS System (Note 9)	\$24 ,000	\$511 ,000	As Arranged	As Incurred	Suppliers
A/V Equipment (Note 10)	\$1,000	\$5,000	As Arranged	As Incurred	Suppliers
Vehicle and Wrap (Note 11)	\$10,000	\$15,000	As Arranged	Vendor	Vendor and Affiliate
Signage/Art Package (Note 12)	\$15,000	\$40,000	As Arranged	As Incurred	Our Affiliate
Insurance (Note 13)	\$7,000	\$12,000	Lump Sum	As Incurred	Insurer

Travel and Living Expenses to Attending Initial Training (Note 14)	\$2,000	\$5,000	Lump Sum	As incurred	Vendors
Retail Merchandise (Note 15)	\$25,000	\$35,000	As Arranged	As Incurred	Suppliers and Us
*Additional Funds – 3 months (Note 16)	\$5,000	\$20,000	Varies	As Incurred	Varies
TOTAL (Note 17)	\$502,504 ,000.00	\$819,825 ,000.00			

Notes:

Note 1-Franchise Fee: The above table sets forth the Franchise Fee for a single unit franchise purchase. None of the fees paid to HDC are refundable. Whether fees paid to others are refundable depends on the arrangements you make with them.

We may finance up to 50% of the initial franchise fee over a 5-year term at 12% per annum interest if you purchase 3 or 5 territories at the same time. For the financing of \$45,000 over 5 years at 12%, your monthly repayment would be approximately \$1,001.

Note 2-Rent and Security Deposit: We include estimated rent and a security deposit in the amount of one month's rent for your location. Rent rates vary by site and area.

Note 3-Initial Training Fee: You must pay us a \$10,000 initial training fee. You make this payment to us after we complete initial training at your store.

Note 4-Leasehold Improvements: Figures for leasehold improvements assume that landlord has provided certain basic amenities, such as level, smooth finished concrete floor; taped and finished walls; heating, venting and air conditioning, electrical service; standard store front with double doors; restroom in compliance with Americans with Disabilities Act (quantity based on local requirements); drop ceiling; and plumbing. The estimated costs assume a 3,000 square foot space with basic amenities only. Larger spaces will require additional cost. Also, these estimated costs are without a drive-through. If you include a drive-through, you will incur additional costs.

Note 5-Architectural/Engineering: We estimate your costs for architectural and engineering work to assist with your buildout.

Note 6-Opening Inventory and Food Ingredients: You will need an opening inventory of various items, including food ingredients, to begin operations.

Note 7-Equipment and Smallwares: We estimate your cost for donut making equipment, espresso equipment, and smallwares, such as utensils and other kitchenware to make donuts and operate the store.

Note 8-Furniture: You must furnish your store pursuant to our specifications. Here we estimate your cost for tables, chairs, display cases, and other furnishings.

Note 9-Computer Hardware, Software, and POS System: You must use our designated computer hardware, software, and POS system to handle customer transactions. You must integrate LunchBox with your POS system or purchase additional equipment to operate it separately and pay for a monthly subscription. Initial purchases will range from \$0-1500 and the monthly subscription is currently \$500. You must also purchase digital menu screens from Raydiant Menu Boards and pay for a monthly subscription fee. The initial purchase of menu boards is estimated at \$1,600 to \$4,000 with installation costs of about \$434. The monthly subscription is currently \$139.

Note 10-A/V Equipment: You will need audio visual equipment to supply music to your store.

Note 11-Vehicle and Wrap: You must use a wrapped “ambulance” vehicle to deliver donuts for promotional events. We estimate the cost of a financed or leased vehicle. If you paid cash, your cost would increase. The cost will also vary depending upon whether you purchase or lease a new or used vehicle. You also pay \$4,000 - \$8,000 of this cost, for the vehicle wrap, to our affiliate, Here’s Your Sign, LLC.

Note 12-Signage Package/Art: These figures represent the estimated cost of your interior and exterior signage and artwork, which you pay to our affiliate, Here’s Your Sign, LLC.

Note 13-Insurance: You must buy insurance pursuant to our specifications. Your costs will vary.

Note 14-Travel and Living Expenses to Attending Initial Training: We estimate your out-of-pocket costs to attend initial training. Your costs will vary depending upon how far you must travel to attend training, the level of lodging you select, the season of year you travel, and other factors. We estimate the costs for one person. If you bring more people to training, you will incur additional costs.

Note 15-Retail Merchandise: You must stock your store with retail merchandise for sale pursuant to our specifications. You must purchase approximately \$5,000 - \$15,000 of your merchandise from us and the remainder from third party vendors.

Note 16-Additional Funds (3 months): The Additional Funds amounts are estimated to cover expenses that are not covered by cash flow from operations for the first month of operation. No allowance has been made for managerial compensation because we assume you will operate your Store yourself. We relied on the experience of our management team in operating affiliate outlets in Southern Missouri in estimating this figure. You should review

these figures carefully in light of local conditions and the economy, consulting a business advisor if necessary.

Note 17-Total: The total does not include royalties, advertising fees, or interest payments.

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**YOUR ESTIMATED INITIAL INVESTMENT
(Table 2- Multi-Territory Purchase)**

Type of Expenditure ¹	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial franchise fee ²	\$90,000	\$125,000	Lump sum	When you sign the franchise agreement	Us
Initial Investment for your Initial Franchised Business ³	\$ 467 <u>469</u> ,000	\$ 784 <u>790</u> ,000	See Table 1 above	See Table 1 Above	See Table 1 above
Total ⁴	\$ 557 <u>559</u> ,000 -00	\$ 909 <u>915</u> ,000- 00			

Note 1: These expenses are non-refundable. If you qualify, we may finance 50% of your initial franchise fee over 5 years at 12% interest. If you financed \$50,000, for example, over 5 years at 12% per annum interest, your monthly repayment amount would be approximately \$1,112.

Note 2: We base the above table on the purchase of 3 -5 franchises. The initial franchise fee for three territories purchased at the same time is \$90,000 and for 5 franchises purchased at the same time is \$125,000.

Note 3: This figure represents the total estimated initial investment required to open your initial Franchised Business under the Franchise Agreement you must enter into with us at the same time as the execution of your Multi-Territory Addendum. We use the "Total" figures from the first Item 7 table above, then subtract out the \$35,000 initial franchise fee shown in Table 1.

Note 4: Other than the Initial Franchise Fees, this figure does not include the costs associated with opening second - fifth location, which will incur additional costs.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased:

Advertising and Marketing. You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Architecture/ Engineering. You will need to use architectural or engineering services to assist with your buildout. You must purchase such services from our preferred

vendor unless we otherwise authorize.

Audiovisual Equipment. You must purchase such audiovisual equipment as we specify. You may purchase the equipment from any vendor.

Computers, Software, ~~and POS System~~, and Digital Menu Displays. We require you to use such computer hardware, software, ~~and POS systems~~ and Digital Menu Displays as we specify, which may include vendor designations.

Equipment, Smallwares, and Furniture. You must purchase equipment, smallwares, and furniture from a supplier that we designate or subject to our specifications. You must purchase your display cases from us.

Insurance. Before beginning operations under the Franchise Agreement, you must obtain, and maintain in full force and effect during the term of the Franchise Agreement, certain insurance coverage as we may specify from time to time, presently as follows:

You must purchase and maintain a policy or policies of comprehensive public liability insurance, including product liability coverage, covering all HDC Store assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000 (or such higher limit as we may specify in the Operations Manual). We may increase the minimum coverage requirement annually, if necessary, to reflect inflation or other changes in circumstances. You must also carry 1) casualty insurance in a minimum amount equal to the replacement value of your interest in the HDC Store premises, including furniture, fixtures and equipment, and 2) business interruption insurance in an amount sufficient to cover the rent of the HDC Store premises, salary or wages of key personnel, and other fixed expenses including fees payable to us. In addition, you must maintain policies of worker's compensation insurance, disability insurance and any other types of insurance required by applicable law. Each insurance policy that is required under this Agreement must contain a provision that the policy cannot be canceled without ten (10) days' written notice to us. It must be issued by an insurance company of recognized responsibility, designate us as additional named insured, include a waiver of subrogation, and be satisfactory to us in form, substance and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us within ten (10) days after the policy is issued or renewed. In the event operations are suspended due to fire, condemnation or Act of God, minimum Royalties and Marketing Fees will be calculated as an average of your previous 12 months and will be included as a fixed expense in your business interruption insurance claim.

Inventory/ Food Ingredients. You must obtain an opening inventory of supplies and food ingredients pursuant to our specifications, which may include vendor designations.

Leased Location. You will need a site in which to operate the Franchised Business.

We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements. You will need to make leasehold improvements to build out your location pursuant to our specifications. We require you to purchase such services from our approved vendor unless we otherwise approve.

Merchandise Offerings. We require that you purchase your merchandise offerings such as drinkware and die case donut “ambulances” from us and your T-shirts pursuant to our specifications, which may include a vendor designation.

Signs. You must purchase all of your signage and artwork from our affiliate, Here’s Your Sign, LLC, unless we otherwise approve.

Vehicles and Wrap. You must own or lease such vehicles as we specify, presently a wrapped “ambulance” donut delivery vehicle. We do not require your use of a designated vendor. But you must purchase vehicle wrap from our affiliate, Here’s Your Sign, LLC, unless otherwise authorized.

Whether we or our Affiliates are Approved Suppliers:

We are an approved supplier of advertising material merchandise offerings other than T-shirts, and display cases. We are the only approved supplier of display cases.

Our affiliate, Here’s Your Sign, LLC, is an approved supplier and the only approved supplier (unless we otherwise authorize) of interior and exterior signage and vehicle wrap.

Officer Interests in Suppliers:

Our officers, Timothy Clegg, Kasondra Clegg, and Scott Bussard, own an interest in us and in our affiliate, Here’s Your Sign, LLC.

Alternative Suppliers:

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We do not charge to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability

insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

In our last fiscal year ended December 31, ~~2022~~2023, we earned ~~\$25,695,302~~\$28,309.84 in revenue from required purchases or leases by franchisees (for display cases and merchandise offerings), representing 1.~~58~~80% of our total revenue of 1,~~618,517.00~~657,825.74.

In our fiscal year ended December 31, ~~2023~~2022, our affiliate, Here's Your Sign, LLC, earned ~~\$6,368.33~~\$27,223.51 selling signage and artwork to franchisees.

Required Purchases as a Proportion of Costs:

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 30-50% of your operating costs.

Supplier Payments to Us:

~~We expect to derive revenue from franchisees' required purchases from suppliers in the next and following fiscal years through a program of rebates from some of our designated or approved suppliers. We estimate that these rebates will range from 1% to 5% of such purchases.~~

~~In the fiscal year ended December 31, Designated suppliers may make payments to us from franchisee purchases.~~

~~We have an arrangement with~~2022, ~~we earned rebates from~~ the following suppliers:

Supplier name	What for	Amount or formula
Dawn Foods	Rebate on Dawn Manufactured Items	5% of the purchase price of goods that Dawn directly

		manufactures and distributes.
TR Toppers	Rebate of candy topping goods purchased	5% of purchased goods
Lesaffre Yeast	Rebate of yeast purchased	\$3 per case
Express Press	Credit applied to HDC for T-shirts purchased	25 cents per shirt purchased as a credit towards future purchases

Purchasing or Distribution Cooperatives:

At this time, we do not have any purchasing or distribution cooperatives.

Purchase arrangements:

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

Material Benefits:

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

ITEM 9. FRANCHISEE'S OBLIGATIONS

The table below lists your principal obligations under the franchise agreement and any related agreements. It will help you locate more detailed information about your obligations in the agreements and in other parts of this franchise disclosure document.

Obligation	Section In Franchise Or Other Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	5.1, 7.2	11
b. Pre-opening purchases/leases	5, 7	5, 7, 8,11

Obligation	Section In Franchise Or Other Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	7.2	11, 12
d. Initial and ongoing training	5.3; Attachment 6	11
e. Opening	7.3; Attachment 6	11
f. Fees	3.3(e), 5.3, Article 6, 8.5, 11.11, 11.13; Attachment 6	5, 6, 7, 11, 12, 17
g. Compliance with standards and policies/ Confidential Operations Manual	Article 7	8, 11
h. Trademarks and proprietary information	7.1, 8.1	13, 14
i. Restrictions on products/services offered	7.5, 7.7	16
j. Warranty and customer service requirements	N/A	N/A
k. Territorial development and sales quotas	3.2; Attachment 6	12
l. Ongoing product/service purchases	7.5, 7.7	8
m. Maintenance, appearance, and remodeling requirements	4, 5.2	17
n. Insurance	7.14	8

Obligation	Section In Franchise Or Other Agreement	Disclosure Document Item
o. Marketing	6.10, 7.1, 7.10, 7.13	6, 8, 11
p. Indemnification	8.5	13
q. Records/Reports	7.6, 7.11, 7.12	6, 11
r. Owner's participation/management/staffing	7.9	15
s. Inspections/audits	6.4, 7.11, 7.12	6
t. Transfers	Article 9	6, 17
u. Renewal	4	6, 17
v. Post-termination obligations	10.3, Attachment 3	17
w. Non-Compete Covenants	8.6, Attachment 3	17
x. Dispute resolution	Article 11	17

ITEM 10 FINANCING

We offer the following financing program:

Item Financed	A portion of the Initial Franchise Fee on a 3 or 5 territory purchase
Source of Financing	Us
Down Payment	Minimum of 50%
Amount Financed	Up to 50%
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	60 months
Security Required	None

Whether a Person Other than the Franchisee Must Personally Guarantee the Debt	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.

Attachment 7 contains the form of Promissory Note that you must sign for us to extend financing to you.

We do not guarantee your notes, leases, or obligations. We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so. We do not receive any direct or indirect payments or other consideration for placing financing.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Services

Before the franchised business opens, we will provide the following services to you:

Site Selection. Under the Franchise Agreement, you must, on your own initiative and at your own expense, locate, obtain and occupy a site for the Store. Our prior acceptance of the proposed site must be obtained in writing. We may not withhold its acceptance unreasonably. To seek our acceptance, you must advise us of the street address of the proposed site and provide a copy of the proposed lease. We will base our acceptance on our real estate criteria. We will also assist in negotiating the lease terms (Franchise Agreement §7.2).

The lease must contain language and terms that, among other things, provide that we are granted an option to assume or authorize its assignee to assume the lease if the franchise agreement is terminated for any reason or if you should be in default under the lease. (Franchise Agreement § 7.2) It is your responsibility to consult an attorney for review of the lease, and to be aware of all terms in your lease (Franchise Agreement § 5.1).

We will review your site proposal as quickly as possible but in any case, it will

respond within two weeks. If we do not accept a proposed site, you will have to find another site. (Franchise Agreement § 5.1). If you and we ~~can not~~cannot agree on a site, we can terminate the franchise agreement or allow you more time to search (Franchise Agreement § 10.2A).

Typical Length of Time to Open. Normally, assuming that you have found a suitable site and negotiated a satisfactory lease before signing a franchise agreement, the length of time between signing of the Franchise Agreement and the opening of your Store is expected to be 120 days or less. Factors that may affect the time period include the time to select a site, obtain permits, perform construction, complete initial training, and furnish and equip your location.

Construction-Related Services. We or an authorized third party will:

- a) Review preliminary and final working drawings and make suggestions, if appropriate, on how to reduce costs while implementing design;
- b) Assist you in analyzing estimates for exterior signs, review sign and awning designs, and offer placement suggestions; and
- c) Offer ongoing telephone support throughout construction period.

The premises must conform to the general guidelines for suitable franchise premises that are set out in the Confidential Operations Manual. By assisting you and accepting your drawings and signs we make no warranties or representations that you have met or are in compliance with all local, state or federal rules and regulations regarding such remodeling or construction. (Franchise Agreement § 5.2).

Multi-Territory Addendum. If you acquire the rights to develop multiple territories from us pursuant to a Multi-Territory Addendum (Attachment 6 to the Franchise Agreement), we will approve the locations of future sites pursuant to our site selection criteria in effect at that time. (Attachment 6 to the Franchise Agreement, §5)

Post-Opening Services

After you open your HDC Store, we will provide the following services:

Ingredients and Inventory Availability. We will work hard to ensure that its designated suppliers and vendors will at all times have a full line of ingredients and inventory for sale to you. You recognize, however, that there will be times when one or more types of ingredients or inventory will be temporarily out-of-stock. If in our reasonable discretion, the duration or extent of an out-of-stock condition is substantial enough to cause serious inconvenience or economic detriment to members of the HDC Franchise Network, we will evaluate and approve purchase of substitute products meeting reasonable quality standards from other

sources of supply during the period of unavailability. (Franchise Agreement § 5.5)

Suppliers. HDC will give you, in the Confidential Operations Manual or otherwise in writing, a list of names and addresses of suppliers of goods and services that currently meet HDC's standards and specifications. (Franchise Agreement § 5.6).

Operational Support. We will advise you in the operation of your Franchised Business and offer operational support to questions you may have. (Franchise Agreement § 5.7).

Advertising Program and Fund:

Marketing Fund. You must pay to us a Marketing Royalty of two percent (2%) for our use in system-wide marketing and advertising efforts for the benefit of your and other HDC Stores. (Franchise Agreement § 6.10)

You agree to participate in all general marketing programs, including but not limited to gift card programs, email programs, Facebook promotions and all cross-promotional programs HDC is successful in negotiating. You agree to purchase and prominently display current seasonal posters and other point of sale marketing materials developed by and available through HDC.

We may advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, ~~2023~~2022, we raised \$0 in Marketing Royalties and spent 0% on production, 0% on media placement, and 0% on administrative expenses.

If not all Advertising Fund fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of the Advertising Fund fees to solicit new franchise sales.

Use of Your Own Advertising Material. You agree to submit to HDC copies of all marketing materials that you propose to use before the first time they are broadcast, posted on the Internet, or published. HDC will review the materials within a reasonable time and

will promptly notify you whether it approves or rejects them. HDC may not withhold its approval unreasonably. For purposes of this paragraph, marketing materials that differ from previously accepted materials only in such variables as date or price will be considered to be previously accepted. Even if HDC has accepted specified materials, it may later withdraw its approval if it reasonably believes it necessary to make the marketing conform to changes in the System or to correct unacceptable features of the marketing, including any misrepresentation in the marketing material. (Franchise Agreement § 7.1(c))

Internet and Social Media. You are prohibited from establishing a website or any social media presence like Facebook. However, you will have a page on HDC's website. Also, a Facebook page and Instagram page will be set up for You with us being named as the administrator. Social media requirements or restrictions may change. All content of any electronic marketing media, including websites and social media pages, will be owned and controlled by HDC.

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policies at the present time.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Computer and Cash Register Systems

Hardware: You must have a high-speed internet connection and a desktop or laptop computer along with a printer for the back office.

Point of Sale: You must purchase a point of sale ("POS") system which meet our specifications. You must purchase the POS system from an accepted vendor. You must make your own arrangements for hardware repair and maintenance. If we change our hardware requirements, you must comply at your own expense.

The point-of-sale system currently required is Square. Square charges a fee of 2.4% for all swiped credit transactions and 3.75% for all keyed credit transactions. Also currently required are:

- Square Registers
- 3 Thermal Printers
- 2 cash drawers

LunchBox: You must use LunchBox and either integrate with your POS System or buy equipment to use LunchBox with your POS system and pay for a monthly subscription. Initial purchases will range from \$0-1500, and the monthly subscription is currently \$500.

Raydiant: You must purchase digital menu screens from Raydiant Menu Boards and pay for a monthly subscription fee. The initial purchase of menu boards is estimated at

\$1,600 to \$4,000 with installation costs of about \$434. The monthly subscription is currently \$139.

Software: At present, we recommend that you purchase and maintain a license to the Jolt software platform for \$99.99/month per location. You must purchase and maintain a license for the When I Work scheduling application, which presently costs \$2.31 per employee per month.

Depending on what computer systems and software you already have, and the number and type of equipment you will need, these items can be purchased for approximately \$2,000- \$5,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There is no contractual limit on the frequency or cost of your maintenance and upgrade obligations. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

Independent Access to Information. We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

The POS system must be able to be polled by us each night and will be used to collect the data for sales and other reports to us.

Confidential Operations Manual. We will provide access to or lend you a set of manuals, catalogs, and instructional handbooks. These materials are referred to collectively as "the Confidential Operations Manual" ~~or~~ or "Operations Manual." (Franchise Agreement § 5.3)

Exhibit D contains the Table of Contents to the Operations Manual along with the page count per chapter. The Operations Manual contains 136 pages.

Additionally, if you sign a confidentiality agreement, at your request, we will permit you to view our Operations Manuals at corporate headquarters under the supervision of one of our employees.

Initial Training. We will provide to you an initial training program which will cover the following (Franchise Agreement § 5.3):

[remainder of page left intentionally blank]

Training Program

Subject	Approximate Hours of Classroom Training	Approximate Hours of Training on Site	Location
Classroom Introduction of Owners/Training Staff/Stations	0	8	Springfield, MO
Hands on training Yeast/Mixing/Proofing/Cooking	0	8	Springfield, MO
Cake/Mixing/Cooking	0	8	Springfield, MO
Utility and Maintenance/Baking	0	8	Springfield, MO
Decorating	0	8	Springfield, MO
Customer Service FOH	0	8	Springfield, MO
Classroom training - hiring/interviewing techniques/rate of pay	0	8	Springfield, MO
Scheduling and Labor management	0	8	Springfield, MO
Run the Store	0	8	Springfield, MO
After Action Report/Corrections/Review	0	8	Springfield, MO
After Action Report/Reviews-Community Involvement Day	0	8	Springfield, MO
Job Fair/Hands on own equipment	0	8	Your Store

Job Fair/Training new staff	0	8	Your Store
Produce to Open/ VIP Party/Grand Opening	0	24	Your Store
Total	0	128	

The instructors for training are Timothy Clegg, Kasondra Clegg, ~~and Scott Bussard,~~ and Miguel Ponce or other appointed instructors. Item 2 above discloses the nature of the Instructors' experience as to Timothy Clegg, Kasondra Clegg and Scott Bussard. We set forth the nature of Miguel Ponce's experience here:

Miguel Ponce, Director of Restaurant Compliance. Miguel Ponce has served as our Director of Restaurant Compliance since July 2023. From June 2022 to July 2023 Mr. Ponce served as the Campus Franchise Coordinator at Missouri State University in Springfield, MO. Prior to that, he served as our Operational Success Manager from July 2020 to June 2022. From February 2015 to June 2020, Miguel Ponce served as a Culinary Manager for Olive Garden in Springfield Missouri.

The Instructors' length of experience in the field and with us is shown in the following chart:

Instructor	Years of Experience in the Field	Years of Experience with the Franchisor*
Timothy Clegg	<u>89</u>	<u>89</u>
Kasondra Clegg	<u>89</u>	<u>89</u>
Scott Bussard	<u>67</u>	<u>67</u>
<u>Miguel Ponce</u>	<u>4</u>	<u>3</u>

*Includes experience with our affiliates identified in Item 1.

We conduct initial training quarterly or as needed. Initial franchise training is conducted at our location in Springfield Missouri over a two-week period within approximately sixty days of opening Your Store. Training at Your Store is conducted approximately one week surrounding the grand opening of Your Store. Each of HDC's instructors at initial training is experienced in the subject matter he or she teaches. The \$10,000 Training Fee paid to HDC covers all the training described in this Item 11.

You and any Store Manager must attend and successfully complete the training program to our satisfaction and obtain a certificate of occupancy from the applicable jurisdiction, before you may schedule with us and then open an HDC Store. We permit up to four people who are franchise owners or Managers to attend the classroom portion of initial training on your behalf and an unlimited number of staff members to attend the portion of initial training conducted at your store.

Training for franchisees who have purchased an existing HDC Store may be condensed if, in our judgment, their in-Store experience will compensate for subjects not covered in the condensed classes.

Training requirements may be waived at the discretion of HDC for equity holders who will not be responsible for store operations.

The instructional material will consist of appropriate handouts and information taken directly from the Confidential Operations Manual. The training is currently scheduled for three weeks.

We may offer continuing education programs on matters related to the operation or promotion of the HDC Store on an optional or mandatory basis, as it considers appropriate. HDC may offer continuing education programs by third parties who may charge a fee. For all training offered by HDC, you will pay any costs of travel, lodging, meals and other incidental expenses that you or your employees incur. HDC will not compensate you or your employees for any work performed during the training program.

ITEM 12. TERRITORY

The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Attachment 1 to the Franchise Agreement. You must locate your HDC Store at an Accepted Location in the Territory.

A territory will normally include a minimum population of at least 150,000 people.

We may approve relocation of the franchised business if the following conditions are fulfilled:

- You are in Good Standing under the Franchise Agreement;
- You agree to plan, construct, equip, and furnish your new HDC Store so that the premises meet the standards of appearance and function applicable to the premises of new HDC Stores at the time of relocation;
- You sign a general release of claims in a form satisfactory to us;
- You have paid to us a relocation fee of \$2,000; and
- We have given our prior written acceptance of the new site and the provisions of the lease for the new premises. Our acceptance of the new site may be withheld at our sole option, on the site's proximity to another HDC Store(s).

We would not normally grant to you approval to open an additional outlet within your territory, unless there has been a substantial population increase, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

Multi-Territory Addendum. We approve the location of future units to be opened under a Multi-Territory Addendum pursuant to our then current standards for sites at the time of locating a site for additional units.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

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ITEM 13. TRADEMARKS

The Franchise Agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Principal or Supplemental Register of the USPTO	Registration Number	Registration Date
	Principal	4780774	July 28, 2015
Wanna Hurts Donut	Principal	5185109	April 18, 2017
Emergency Donut Vehicle	Principal	5786296	June 25, 2019

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility and you are not entitled to compensation for such a change.

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

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

At this time, we do not hold any patents material to the franchise system. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement significantly limits our right to use or allow others to use the copyrighted materials. We do not know of any infringing uses which could materially affect your use of the copyrighted materials in any state. We can control any action involving the copyrights. You must notify us of any suspected unauthorized use of the copyrighted materials, any challenge to the validity of the copyrights or any challenge to our right to use or license others to use the copyrights. We may take action against these potentially infringing uses by others, but we are not required to do so. We will defend you against any third-party claim arising out of your use of the copyrights. If we determine that you have used the copyrights properly, we will pay for the defense. If we determine that you have used the copyrights in a manner not allowed by the Franchise Agreement, you must pay for the defense.

You will not directly or indirectly disclose, publish, disseminate or use our "Confidential Information" except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You or your Store Manager must devote all your productive time and effort to the management and operation of the HDC Store for a minimum of 40 hours per week. You, the Store Manager, or another employee who has successfully completed our initial training program must be available to the Accepted Location whenever the HDC Store is open for business. If you own more than one HDC Store, an additional Store Manager must be employed for each. If HDC, in its sole discretion, determines that a Store Manager is not properly performing his duties, HDC will advise you and you must correct the situation. You must keep HDC informed as to the identity of your Store Manager. At HDC's option, any successor Store Manager may be required to successfully complete the training program conducted by HDC before starting work in the HDC Store unless you obtain HDC's prior written waiver of this condition.

You may employ anyone of good character who is capable of satisfactorily completing our initial training program and who signs a Nondisclosure and Non-Competition Agreement.

Unless otherwise approved in writing by HDC, you must be open and operating 24 hours a day, 7 days a week.

If the franchisee is a business entity, we do not require an on-premises supervisor to have an equity interest in the franchisee's business.

You must attend the Annual Franchisee Meeting if offered each year and one of the Regional Franchisee Workshops if offered throughout the year.

You must maintain at all times a staff of trained employees sufficient to operate the HDC Store in compliance with our standards.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent ~~and~~ of anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages ~~are~~is permitted without our prior written consent.

ITEM 16 RESTRICTIONS ON WHAT YOU MAY SELL

You may offer for sale through your franchised business only a Donut Store as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers, consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of ~~a~~ previously approved goods or services, ~~at~~in which case you must immediately stop selling the revoked services or products.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer competitive services in the Territory or within 50 miles of any HDC Store in operation at the time.

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ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section In Franchise or Other Agreement	Summary
a) Term of the franchise	4	5 years
b) Renewal or extension of the term	4	You may renew for additional 5-year terms
c) Requirements for franchisee to renew or extend	4	In good standing, give 120 days' notice, sign new franchise agreement, remodel, sign a release, enter into a lease, and you must sign our then current franchise agreement which may contain materially different terms and conditions.
d) Termination by franchisee	10.1	You may terminate the franchise agreement by mutual consent, upon a sale pursuant to the terms of the franchise agreement, or by not renewing.
e) Termination by franchisor without cause	None	
f) Termination by franchisor with cause	10.2	HDC can terminate only if you default.
g) "Cause" defined - defaults which can be cured	10.2B; Attachment 6	Violate the Agreement, <u>Operations</u> Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice. We may terminate the Multi-Territory Addendum ("MTA") if we terminate the original

		franchise agreement that you purchased from us with the MTA or if you fail to meet the development schedule in it; however, we may not terminate other outlets which you have already developed for such a breach.
h) "Cause" defined - defaults which cannot be cured	10.2A	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i) Your obligations on termination/non-renewal	10.3; Attachment 6	Obligations include <u>complete de-identification</u> , payment of amounts due, honoring option to purchase or lease, assigning phone numbers, and more. <u>.</u> MTA-You forfeit your rights to territories as to which you have not met the Development Schedule.
j) Assignment of contract by franchisor	9.7	We may assign to a third-party that assumes the obligations to you
k) "Transfer" by franchisee — definition	1.1(l)	Includes transfer of contract or assets or ownership change
l) Franchisor approval of transfer by franchisee	9.3	HDC has the right to approve all transfers but

		will not unreasonably withhold approval
m) Conditions for franchisor approval of transfer	9.4	New franchisee qualifies, fee paid, purchase agreement accepted, training undertaken, release signed by you, new franchisee signs current franchise agreement
n) Franchisor's right of first refusal to purchase franchisee's business	9.3	We have the right to match any offer to buy your business
o) Franchisor's option to purchase franchisee's business	10.3	We have the option to buy your business upon Termination
p) Death or disability of disability	9.6	Heirs must qualify in 60 days or have 4 months to sell
q) Non-Competition covenants during term of franchise	8.6, Attachment 3	No involvement in any competing business within 50 miles of any Store
r) Non-Competition covenants after franchise is terminated or expires	8.6, Attachment 3	No involvement in competing business for 2 year years competitive with any HDC Store in the United States within 50 miles of any Store
s) Modification of the agreement	5.4, 12.3	Modification only by agreement of parties; Confidential Operations Manual may change
t) Integration / merger clause	12.5	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure

		Document.
u) Dispute resolution by arbitration or mediation	11.9	You must attempt to mediate claims against us. Arbitration only applies to IL franchisees.
v) Choice of forum	11.7	All disputes must be litigated in Greene County, Missouri (subject to applicable state law)
w) Choice of law	11.2	Except where federal law applies, Missouri law applies (subject to applicable state law)

ITEM 18. PUBLIC FIGURES

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Below we present historical financial performance representations for the company's outlets split into two subsets: (1) affiliated company-owned outlets and (2) franchised outlets. The data for the affiliated company-owned outlets was obtained from those outlets and the data for the franchised outlets was provided to us by the franchised outlets. None of the financial data provided has been audited. The material differences in the financial and operational characteristics of company-owned outlets and franchised outlets/future franchised outlets are explained further below in FPR #1.

FPR #1-Average Gross Revenues Company Stores ~~2023~~2022

First, we disclose the Average Gross Revenues of our two affiliated company stores in ~~2023~~2022. One of the company stores, operated by our affiliate, T&C Ventures, LLC, began operations in 2013. The other company store, operated by our affiliate, Hole Foods, LLC, began operating in 2017.

Material financial and operational differences between the affiliated company outlets and a franchise outlet: There are no material operational differences between the company outlets whose results are reported in the tables below and a franchise outlet that a franchisee would operate, except age of outlet. The company outlets and a franchisee outlet would offer the same goods and services to the same client base. However, the company outlets have operated varying periods of time as set forth above.

However, there are financial differences. A franchised outlet would incur Royalties (7% of Gross Revenues) and Advertising Royalties (2% of Gross Revenues).

Average Gross Revenue	\$ 680,680.42 950,398.17
Less Royalties (7%) and Advertising Royalties (2%) as if a Franchised Outlet	-\$ 47,647.62 66,527.87
Adjusted Average Gross Revenue as if a Franchised Outlet	\$ 633,032.88 88,3870.30
Median Gross Revenues	\$888,770.87-950,398.17*
Highest Gross Revenues	\$888,770.871,261,655.62
Lowest Gross Revenues	\$ 472,589.98 639,140.72

One out of two outlets, or 50%, attained or surpassed the stated result, of the Average Gross Revenue shown in the table above.

*One outlet was relocated and was not in operation for the entire ~~2023~~2022 calendar year.

FPR #2-Average Gross Revenues- Franchised Outlets ~~2023~~2022

Here, we disclose the Average Gross Revenues of our franchised outlets that operated for the entire ~~2023~~2022 calendar year. As of December 31, ~~2023~~2022, we had 18 franchised outlets. ~~One out of the 18 outlets was excluded because it did not operate the entire 2022 calendar year due to a store update and remodel.~~

Average Gross Revenue	\$1, 120,119.70 025,399.35
Median Gross Revenues	\$ 945,810.92 987,759.32
Highest Gross Revenues	\$1, 782,709.92 842,812.17
Lowest Gross Revenues	\$ 683,044.30 617,131.52

~~57~~ out of ~~1718~~ outlets, or ~~29.438.8~~%, attained or surpassed the stated result, of the Average Gross Revenue shown in the table above.

Notes Applicable to Both FPR's:

"Gross Revenue" means the total amount of money or other compensation received or earned by you and your Related Parties for all goods sold and services rendered from the Accepted Location or in connection with the Trade Name or MARKS, excluding money received for sales tax, returned merchandise, and sale of types of items not currently constituting part of the HDC System and specifically exempted from the definition of "Gross Revenue" in writing by HDC, within an accounting period.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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 Timothy Clegg, CEO, at 2034 W. Vista Street, Springfield, MO 65807, (417) 368-0279, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS ~~2020-2021-2023~~2022

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2021 2020	19 20	20 19	+1
	2021 2022	20 19	19 18	-1
	2022 2023	19 18	18	-10
Company Owned	2020	2	2	0
	2021	2	2	0
	2022 2023	2	2	0
Total Outlets	2021 2020	21 22	22 21	+1
	2022 2021	22 21	21 20	-1
	2022 2023	21 20	20	-10

TABLE NO. 2

TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS ~~2020-2021-2023~~2022

State	Year	Number of Transfers
Oklahoma	2021 2020	0 1
	2022 2021	1 0
	2022 2023	0
Total Outlets	2021 2020	0 1
	2021 2022	1 0
	2022 2023	0

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS
FOR YEARS ~~2020-2021-2023~~2022

Location	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired By Franchisor	Ceased Operations- Other Reasons	Outlets At End Of The Year
Arizona	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Arkansas	2021 <u>2020</u>	1	1 <u>0</u>	0	0	0	1 <u>0</u>	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Colorado	2021 <u>2020</u>	2	0	0	0	0	0	2
	2021 <u>2022</u>	2	0	0	0	0	0	2
	2022 <u>2023</u>	2	0	0	0	0	0	2
Iowa	2021 <u>2020</u>	4	0	0	0	0	0	4
	2022 <u>2021</u>	4	0	0	0	0	0	4
	2022 <u>2023</u>	4	0	0	0	0	0	4
Kansas	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Louisiana	2021 <u>2020</u>	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2022 <u>2021</u>	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Missouri	2021 <u>2020</u>	2	0	0 <u>1</u>	0	0	0	2 <u>1</u>
	2022 <u>2021</u>	2 <u>1</u>	0	1 <u>0</u>	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
Nebraska	2021 <u>2020</u>	1 <u>2</u>	1 <u>0</u>	0	0	0	0	2
	2022 <u>2021</u>	2	0	0	0	0	0	2
	2022 <u>2023</u>	2	0	0	0	0	0	2
Oklahoma	2021 <u>2020</u>	3	0	0	0	0	0	3
	2022 <u>2021</u>	3	0	0	0	0	0	3
	2022 <u>2023</u>	3	0	0	0	0	0	3
Texas	2021 <u>2020</u>	3	0	0	0	0	0 <u>1</u>	3 <u>2</u>
	2022 <u>2021</u>	3 <u>2</u>	0	0	0	0	1 <u>0</u>	2
	2022 <u>2023</u>	2	0	0	0	0	0	2
Wisconsin	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0 <u>1</u>	1 <u>0</u>
	2022 <u>2023</u>	1 <u>0</u>	0	0	0	0	1 <u>0</u>	0
Total Outlets	2020 <u>2021</u>	19 <u>20</u>	21 <u>0</u>	0 <u>1</u>	0	0	1	20 <u>19</u>
	2022 <u>2021</u>	20 <u>19</u>	10 <u>0</u>	1 <u>0</u>	0	0	1	19 <u>18</u>
	2022 <u>2023</u>	19 <u>18</u>	0	0	0	0	1 <u>0</u>	18

TABLE NO.4

STATUS OF COMPANY-OWNED OUTLETS*
FOR YEARS ~~2020-2022~~2021-2023

Location	Year	Outlets At Start Of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of The Year
Missouri	2020 <u>2021</u>	2	0	0	0	0	2
	2022 <u>2021</u>	2	0 <u>1</u>	0	0	0	2 <u>3</u>
	2022 <u>2023</u>	2	0	0	0 <u>1</u>	0	2
Total Outlets	2020 <u>2021</u>	2	0	0	0	0	2
	2022 <u>2021</u>	2	0 <u>1</u>	0	0	0	2 <u>3</u>
	2022 <u>2023</u>	2	0	0	0 <u>1</u>	0	2

*Company-Owned refers to affiliate outlets as discussed in Item 1.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, ~~2022~~2023

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arkansas	1	1	0
Florida	1	1	0
Ohio	1	1	0
Texas	2	1 <u>2</u>	0
TOTALS	1 <u>5</u>	4 <u>5</u>	0

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Exhibit B contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit C contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21 FINANCIAL STATEMENTS

Exhibit G contains our audited financial statements for our fiscal years ending December 31, 2023, 2022, and 2021, ~~and 2020~~, as well as our unaudited Balance Sheet as of ~~March 31, 2023~~ February 29, 2024, and our unaudited Profit & Loss Statement for the time period January 1, ~~2023~~ 2024 – March 31, ~~2023~~ 2024.

ITEM 22 CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

Exhibit E: Franchise Agreement

- Attachment 1: Territory
- Attachment 2: Automatic Bank Draft Authorization
- Attachment 3: Nondisclosure and Non-Competition Agreement
- Attachment 4: Lease Rider Agreement
- Attachment 5: Telephone Number and Internet Assignment Agreement
- Attachment 6: Multi-Territory Addendum
- Attachment 7: Promissory Notes
- Attachment 8: Compliance Questionnaire
- Attachment 9: State Addenda to the Franchise Agreement

Exhibit F: Release

ITEM 23 RECEIPT

Exhibit K contains two copies of a Receipt of our Disclosure Document.

EXHIBIT A
STATE FRANCHISE ADMINISTRATORS AND REGISTERED AGENTS

State	State Administrator	Agent for Service of Process
California	The Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Boulevard Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449	

	(502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 (212)-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588

South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111- 0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT B LIST OF FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets (as of 12/21/2023):

Arizona

Blake Tendick
WM&B Management LLC
2161 East University Drive
Tempe, AZ 85281
602-920-3121
Tendick.Blake@gmail.com

Arkansas

Connor and Heather Grimes
107 E Markham
Little Rock, AR
479-502-4184
connor.grimes@cbiteam.com

Colorado

Justin Krull
JKRULL Ventures LLC
6165 Barnes Road
Colorado Springs, CO 80922
515-422-6126
justin.j.krull@gmail.com

Justin Krull
K&M Ventures Group, LLC
12311 Pine Bluffs Way, STE 103
Parker, CO 80134
515-422-6126
justin.j.krull@gmail.com

Iowa

Kyle Howard
HDCQC, LLC
5121 Competition Drive
Bettendorf, IA 52722
563-320-1997
hdciawaqc@gmail.com

~~Janelle~~Scott Wilks
Donut1, LLC
100 East 2nd St, STE 108
Cedar Falls, IA 50613
563-505-0398
donut1hdc@gmail.com

Tyler Howard
TPKC LLC 1301 5th St #105
Coralville, IA 52241
563-320-0212
hdciawa@gmail.com

David Barton
D2 LLC
5513 Mills Civic Parkway Suite 105
West Des Moines, IA 50266
515-499-6278
hdciawa@gmail.com

Kansas

Aaron Courtney
C & P Ventures, LLC
7010 West 21st Street N
Wichita, KS 67205
316-650-0655
hurtswichita@gmail.com

Louisiana

Dennis Marquette
3D Donut, LLC
501 Loyola Ave.
New Orleans, LA 70113
504-841-9904
3ddonutllc@gmail.com

Missouri

Shanna Dorlon
3 Dornuts LLC
1600 West Hwy 76
Branson MO 65616
417-593-2963
hdcbranson@yahoo.com

Nebraska

Lindsey Jochim
Glazed, LLC
129 North 10th Street #100
Lincoln, NE 68508
402-238-4415
hdc.ljochim@gmail.com

Lindsey Jochim
Glazed, LLC
1726 N 120th St.
Omaha, NE 68154
402-238-4415
hdc.ljochim@gmail.com

Oklahoma

Jess Maulsby
The Maulsby Restaurant Group
601 NW 23rd Street OKC
Oklahoma City, OK
405-492-0447
HurtsOKC@gmail.com

Chris Schepers
Scheps Place, LLC
746 Asp Avenue
Norman, OK 73069
918-269-8506
Tulsahurtsdonutcompany@gmail.com

Chris Shepers
Scheps BL&D LLC
111 South Detroit St
Tulsa OK 74120
918-269-8506
Tulsahurtsdonutcompany@gmail.com

Texas

Cheryl Selby
Donut Crazy, LLC
901 Foch Street
Forth Worth, TX 76107
469-971-4990
cheryl@hurtsdonutfrisco.com

Keith Selby
Lone Star Donuts
3288 Main Street
Frisco TX 75034
469-247-2240
selby6567@yahoo.com

Franchise Agreement Signed But Outlet Not Yet Open (As of 12/31/2023):

Texas

Robert and Tabitha Nash
Austin, TX
(417) 380-9529

Javier Lozano
El Paso, TX
(915) 801-9600

Ohio

Steven, Jenny, and Cole McCreary
Cincinnati, OH
(765) 689-4930

Florida

Jeremy Dover and Victor Demesmin
Plantation, FL
(954) 214-9156

Arkansas

Conner and Heather Grimes
Hot Springs, AR
479-502-4184
connor.grimes@cbiteam.com

EXHIBIT C FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~Wisconsin~~

~~Scott and Janelle Wilks
Donut2, LLC
2831 Parmenter St.
Middleton WI, 53562
309-558-7414~~

~~-None.~~

EXHIBIT D
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EXHIBIT E
FRANCHISE AGREEMENT



HURTS DONUT COMPANY
FRANCHISE AGREEMENT

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Attachments

1. Territory
2. Automatic Bank Draft Authorization
3. Nondisclosure and Non-Competition Agreement
4. Lease Rider Agreement
5. Telephone Number and Internet Assignment Agreement
6. Multi-Territory Addendum
7. Promissory Notes
8. Compliance Questionnaire
9. State Addenda to the Franchise Agreement

This Franchise Agreement ("Agreement") is made on the Effective Date stated on the signature page below by and between Hurts Donut Company, LLC ("HDC," "we," "us," or "our"), a Missouri limited liability company with its principal office at 2034 W. Vista Street, Springfield, Missouri 65807, and the below named Franchisee ("you" or "your").

RECITALS

WHEREAS, HDC is the owner or assignee of certain intellectual property rights, including the Trade Name, "HURTS DONUT COMPANY" and the MARKS, including the stylized words HURTS DONUT COMPANY and design;

WHEREAS, HDC has spent a considerable amount of time, effort, and money to construct, and continues to develop, business methods, technical knowledge, and marketing concepts, including trade secrets, administrative procedures, information on sources of supply, marketing strategies, business forms, advertising materials, distinctive signs, trade dress, and architectural design that, taken together, comprise a proprietary System for the operation of a HURTS DONUT COMPANY store offering customers donuts and other baked goods with a unique toppings and ingredients and in a distinctive, casual 24 hour, 7-day-a-week setting.

WHEREAS, HDC would like to grant to you and you would like to accept from HDC a franchise to own and operate a HURTS DONUT COMPANY Store, using the HURTS DONUT COMPANY Trade Name, MARKS, and System, upon the terms and conditions below

WHEREAS, HDC has full rights together with all goodwill connected with the use of the MARKS associated with HDC, and any other MARKS that we continue to develop, use, and control for our benefit and the use of our franchise owners in order to create uniformity, uniformity being essential in creating and maintaining public recognition, acceptance, and patronage; and, it is the purpose of this Agreement to set forth and ensure uniform standards of services, products, appearance, quality, and operation for all our franchised businesses, and to protect and enhance the name and MARKS, and you understand and acknowledge this; and, you wish to obtain a license to use the System and MARKS to operate a Franchised Business ("Franchised Business"), under our MARKS, and we wish to grant you this license in accordance with the terms and provisions of this Agreement and our Confidential Operations Manual(s), at one location, and for the term as set forth.

Therefore, in consideration of mutual agreements and promises contained in this Agreement, and for other good and valuable consideration, acknowledged to be satisfactory and adequate, the parties intending to be legally bound agree as follows:

Article 1: Definitions

Section 1.1: Definitions. For purposes of this Franchise Agreement, when any of the following words and phrases begins with a small letter its meaning should be taken in the generic; and when it starts with a capital letter in its singular or plural, its meaning is defined in this Article I:

- (a) "Agreement" means this Franchise Agreement.
- (b) "Accepted Location" means the location that HDC has accepted in writing as a site at which you may own and operate a HURTS DONUT COMPANY Store.
- (c) "Confidential Operation Manual" or "Operations Manual" means the set of written materials, catalogs, training and technique materials, and instructional handbooks, and other such resources as they are periodically developed and introduced into the HDC System, and as they may be amended from time to time.
- (d) "Franchise Network" means the interdependent network composed of HDC, all HDC franchisees, HDC's Related Parties, and any other people or business entities that HDC has licensed to use the Trade Name, MARKS, System or any of them.
- (e) "Franchise Owner" means the person or business entity that has signed a Franchise Agreement and operates a HURTS DONUT COMPANY Store.
- (f) "Franchised Business" means the HURTS DONUT COMPANY Store business franchised to and operated by you under this Agreement.
- (g) "Good Standing" means timely compliance by you and your Related Parties with all provisions of this Agreement and the Confidential Operations Manuals, specifically including provisions for timely payment of amounts you owe to HDC or third parties.
- (h) "Gross Revenue" means the total amount of money or other compensation received or earned by you and your Related Parties for all goods sold and services rendered from the Accepted Location or in connection with the Trade Name or MARKS, excluding money received for sales tax, returned merchandise, and sale of types of items not currently constituting part of the HDC System and specifically exempted from the definition of "Gross Revenue" in writing by HDC, within an accounting period.
- (i) "HDC" means "HURTS DONUT COMPANY, LLC" or any person or entity to which HURTS DONUT COMPANY, LLC allocates all or part of its rights and obligations under this Agreement.
- (j) "HURTS DONUT COMPANY Store(s)" or "Store" means a retail store that

HDC has authorized you or another to conduct under the Trade Name, MARKS, and System at an Accepted Location under this Agreement

(k) "MARKS" means selected trademarks, service marks, trade dress, logotypes, copyrights, slogans and other commercial symbols licensed by HDC to you under this Agreement, including the words "HURTS DONUT COMPANY."

(l) "Resale" means any sale, gift, or other change in ownership of all or any part of the rights and obligations: 1) of this Agreement, 2) of the HURTS DONUT COMPANY Store, including the lease for the Accepted Location, or 3) of an ownership interest in you of a magnitude at least as great as that described in this Section. If you are a partnership, then one or more transactions (regardless of whether or not they are related) in which there is a cumulative change in the rights to thirty-four percent (34%) or more of your capital or profits will be considered to be a Resale. If you are a limited liability company, then one or more transactions (regardless of whether or not they are related) in which there is a cumulative change in beneficial ownership of thirty-four percent (34%) or more of your equity will be considered to be a Resale. If you are a corporation, then one or more transactions (regardless of whether or not they are related) in which there is a cumulative change in beneficial ownership of thirty-four percent (34%) or more of your voting stock will be considered to be a Resale.

(m) "Start Date" means the earlier of the agreed-upon deadline for opening or the date when your HURTS DONUT COMPANY Store opens. The Start Date may be extended only with the written consent of HDC.

(n) "Store Manager" means a person whom you have appointed as general manager of your HURTS DONUT COMPANY Store.

(o) "System" means the business methods, technical knowledge and marketing concepts licensed by HDC to you under this Agreement, including the right to use HDC's trade secrets, purchasing arrangements, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural design, and employee training videos and manuals.

(p) "Taxes" means any present or future sales tax, use tax, services tax, excise or other tax of whatever nature (other than taxes generally assessed on the overall net income of the recipient) now or hereafter imposed by any governmental or other authority as well as all levies, imports, duties, charges or fees of whatever nature.

(q) "Termination" means expiration of this Agreement; non-renewal of this Agreement; or termination, under any of the circumstances described in Article 10 of this Agreement, of the then-current term of this Agreement before its normal expiration date.

(r) "Trade Name" means the commercial name "HURTS DONUT COMPANY."

(s) "You" means the person or entity that acquires this franchise and, in the case of an

(s)(t) entity, all of its officers, directors, members, and owners.

Article 2: Grant of Franchise

Section 2.1: Granting Clause. HDC grants to you and you accept from HDC a franchise to operate a HURTS DONUT COMPANY Store under the Trade Name, MARKS and System in accordance with the terms of this Agreement.

Article 3: Territory

Section 3.1: Location of Your Territory. The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Attachment 1 to the Franchise Agreement. You must locate your HURTS DONUT COMPANY Store at an Accepted Location in the Territory.

Section 3.2: Territorial Rights. You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations

as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Section 3.3: Relocation. You may relocate the HURTS DONUT COMPANY Store within the Territory only with our prior written consent, which will be granted only if the following conditions are fulfilled:

- (a) You are in Good Standing under the Franchise Agreement;
- (b) You agree to plan, construct, equip, and furnish your new HURTS DONUT COMPANY Store so that the premises meet the standards of appearance and function applicable to the premises of new HURTS DONUT COMPANY Stores at the time of relocation;
- (c) You have signed a general release of claims in a form satisfactory to us;
- (d) You have paid us a relocation fee of \$2,000 before relocation to defray the cost to HDC of site inspection and design review; and
- (e) We have given you our prior written acceptance to the new site and the provisions of the lease for the new premises. Our acceptance of the new site may be withheld, at our sole option, because of the site's proximity to another HURTS DONUT COMPANY Store(s).

Our failure to communicate our acceptance or rejection shall not be construed as acceptance of your site.

Article 4 Term and Renewal

- (a) Initial Term. The Franchise Agreement is for a period of five (5) years.
- (b) Renewal. You will have the right to renew the Franchise for one (1) additional consecutive five (5) year term with no additional franchise fee on the same terms and conditions as those on which HDC is customarily granting new franchises at the time of renewal if at the time of renewal the following conditions are fulfilled:
 - 1. You are in Good Standing under this Agreement and any other Agreement between you and us, and the Confidential Operations Manuals;
 - 2. You have notified HDC in writing at least 120 days before the expiration date of this Agreement of your wish to renew;
 - 3. You enter into our then current Franchise Agreement, which may contain materially different terms and conditions from this one;

4. You have, before the beginning of the renewal term, at your own expense, remodeled, modernized and redecorated the HURTS DONUT COMPANY Store premises and replaced and modernized the fixtures, equipment, and signs used in the HURTS DONUT COMPANY Store so that the premises of the HURTS DONUT COMPANY Store meets the then standards of appearance and function applicable to the premises of new HURTS DONUT COMPANY Stores at the time of renewal;

5. You and any Related Parties that are parties to this Agreement have signed a general release of claims in a form satisfactory to HDC with respect to past dealings with HDC and its Related Parties; and

6. You have renewed or have the right to renew the lease for the Accepted Location for the renewal term of the Franchise Agreement.

You understand that the terms of the standard franchise agreement in use by HDC at the times of renewal may be materially different than those contained in this agreement, including, but not limited to, increased Royalty Fees. You understand that your right to renew will be contingent upon your acceptance of the new terms as set out in such standard franchise agreement.

Article 5: Services to Franchisee

HDC agrees to perform the following services for you at locations selected by HDC provided that you are, at the time when service is to be rendered, in Good Standing under this Agreement, any other agreement with HDC or HDC's Related Party, and the Confidential Operations Manuals.

Section 5.1: Site Selection Assistance. You must, on your own initiative and at your own expense, locate, obtain and occupy a site for the Store. Our prior acceptance of the proposed site must be obtained in writing. We may not withhold its acceptance unreasonably. To seek our acceptance, you must advise us of the street address of the proposed site and provide a copy of the proposed lease. We will base our acceptance on our real estate criteria. We will also assist in negotiating the lease terms.

The lease must contain language and terms that, among other things, provide that we are granted an option to assume or authorize its assignee to assume the lease if the franchise agreement is terminated for any reason or if you should be in default under the lease. It is your responsibility to consult an attorney for review of the lease, and to be aware of all terms in your lease.

We will review your site proposal as quickly as possible but in any case, it will respond within two weeks. If we do not accept a proposed site, you will have to find another site.

Section 5.2: Construction-Related Services. You must submit all drawings, specifications, and orders for goods and services to HDC, or our designee, for our final review and written approval (the "Approval") in determining adherence to all HDC standards and specifications.

Upon delivery from your landlord of your premises and receipt of our Approval, you must begin remodeling/construction in accordance with our specifications within Thirty (30) days. You are also responsible for the following:

- (a) obtaining all the required building, utility, sign, health and business permits and licenses and any other required permits and licenses necessary to commence remodeling/construction and operate your business; and,
- (b) purchasing, as we specify in our Confidential Operations Manual(s), the required equipment, furniture and fixtures, signs, supplies, opening inventory, and all other items that we may require you to have in order to commence business; and,
- (c) construct or cause to be constructed; install or cause to be installed all required furniture, fixtures, signs, equipment, and the like necessary for the total completion of your HURTS DONUT COMPANY Store; and all leasehold required improvements to your premises, and decorating the Franchised Business premises all in compliance with designs, layouts and specifications approved by us.

Section 5.3: Initial Training. Before the opening of your HURTS DONUT COMPANY Store, HDC will conduct an initial training program in the operation of the HURTS DONUT COMPANY Store under the HDC System. You and any Store Manager must attend and successfully complete the training program to the satisfaction of HDC, and obtain a certificate of occupancy from the applicable jurisdiction, before you may schedule with HDC and then open a HDC Store. Training requirements may be waived at the discretion of HDC for equity holders who will not be responsible for store operations.

We will make available to you and your Store Manager a mandatory initial orientation and training course of up to 14 days. This initial orientation and training course will be provided at our headquarters or other training locations as we may designate.

Before and after your Franchised Business commencement, an additional training segment comprised of up to 5 days will be provided to you in your HURTS DONUT COMPANY Store.

If you fail the initial training and orientation course, then at our option we may: (1) retrain you at your expense until you successfully complete the course; or (2) terminate the Franchise Agreement in which case the initial franchise fee is nonrefundable.

You must hire all initial employees and/or contract labor for the Franchised Business and be exclusively responsible for the terms of their employment and compensation and for the required training of all employees and contract labor in the operation of your Franchised Business.

HDC may offer continuing education programs on matters related to the operation or promotion of the HURTS DONUT COMPANY Store on an optional or mandatory basis, as it considers appropriate. In the event that you request additional assistance after your Franchised Business begins operation, and we deem it appropriate in our sole discretion, we will provide a representative at times and places as we deem necessary and convenient. You must pay our then current costs, as well as per diem and all reasonable travel and living expenses in connection with such assistance.

Section 5.4: Confidential Operations Manuals. HDC will provide access to you of our Confidential Operations Manual, catalogs, training and technique materials, and instructional handbooks, and other such resources as they are periodically developed and introduced into the HDC System. These materials are referred to collectively as "the Confidential Operations Manuals." HDC will revise the Confidential Operations Manuals periodically to conform to the changing needs of the Franchise Network. Certain confidential information will be disclosed to or learned by Franchise Owner in connection with its ownership and operation of the Franchised Business. The Confidential Information is made available to Franchise Owner by us solely on the condition that Franchise Owner agrees, and Franchise Owner does hereby agree, that Franchise Owner (and each of its owners): (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term; (3) will not make unauthorized disclosure of any portion of the Confidential Information disclosed in our Confidential Operations Manual(s) or in other written form; and (4) will adopt and implement all procedures prescribed from time to time by us to prevent unauthorized use or disclosure of the Confidential Information.

Section 5.5: Ingredients and Inventory Availability. HDC will use its best efforts to ensure that a designated supplier will at all times have a full line of ingredients and inventory for sale to you. You recognize, however, that there will be times when one or more types of ingredients and inventory will be temporarily out-of-stock. If, in HDC's reasonable discretion, the duration or extent of an out-of-stock condition is substantial enough to cause serious inconvenience or economic detriment to members of the Franchise Network, HDC will evaluate and approve purchase of substitute products meeting reasonable quality standards from other sources of supply during the period of unavailability.

Section 5.6: Suggested and Required Suppliers. HDC will give you, in the Confidential Operations Manuals or otherwise in writing, a list of names and addresses of required and suggested suppliers of goods and services and equipment that then-currently meet HDC's standards and specifications. The procedure for

soliciting HDC's approval of a supplier is described in Section 7.5. In advising you of suppliers which meet its standards and specifications, HDC expressly disclaims any warranties or representations as to the condition of the goods or services sold by such suppliers, including, without limitations, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to the manufacturer of goods or equipment or the supplier of services for the remedy for any defect in the goods or services.

Section 5.7: Operational Support. We will advise you in the operation of your Franchised Business and offer operational support to questions you may have, for the Support Fee and Help Line fee stated in Article 6 below.

Article 6: Payments by Franchisee

Section 6.1: Initial Fees.

Initial Franchise Fee: Single Unit. When you sign the Franchise Agreement, you will pay an initial franchise fee to us in the amount of \$35,000 for a single unit franchise.

The initial franchise fee does not apply upon a renewal or transfer, but any applicable Renewal or Resale fee would apply.

Initial Franchise Fee: Multi-Territory Addendum. You may purchase three territories from us, upon our approval, for \$90,000, if purchased at the same time. You may likewise purchase five territories from us, upon our approval, for \$125,000, if purchased at the same time. In either case, you must enter into the Multi-Territory Addendum appended as Attachment 6 to the Franchise Agreement.

Display Cases. You must purchase two display cases from us for \$6,000 before you open for business.

Merchandise Offerings. You must purchase approximately \$5,000 - \$10,000 in merchandise offerings (such as drinkware and a donut "ambulance") from us before opening.

Sign Package. We require you to purchase a sign package from our affiliate, Here's Your Sign, LLC, before you open for business, which ranges in price from \$15,000 - \$40,000, depending upon the size and layout of your outlet.

Vehicle Wrap. You must purchase vehicle wrap from our affiliate, Here's Your Sign, LLC, before you open for business, which ranges in price from \$4,000 - \$8,000.

Refundability of initial fees. The initial fees are not refundable once paid.

Section 6.2: Royalty. On each Monday during the term of this Agreement, you will pay HDC a royalty of 7% of Gross Revenue received or earned by your HURTS DONUT

COMPANY Store during the immediately preceding week.

Your obligation to pay ongoing monthly Royalty Fees begins on the Start Date of this Agreement, as defined above.

Section 6.3: Payments Due HDC or Related Parties. Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. Attachment 4 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. We reserve the right to modify the payment methods and schedule in our Operations Manual.

Section 6.4: Audit. HDC will have the right during normal working hours to audit your books and records, including your income and sales tax returns, with respect to the HURTS DONUT COMPANY Store. If an audit discloses an underpayment of Royalty Fees payable under this Agreement, you will immediately pay these amounts to HDC together with accrued interest on the amount underpaid in accordance with Section 6.10 of this agreement. In addition, if the underpayment exceeds three percent (3%) of the total Royalty Fees payable for any period covered under the audit, or we have to re-inspect your store due to a failed store audit (score under 80%), you must reimburse HDC for all expenses actually incurred by HDC in connection with the audit.

Section 6.5: Ongoing Training Fees and Costs. For any continuing educational programs, or for any training offered by HDC or its agents, you must pay any costs of travel, lodging, meals and other incidental expenses that you or your employees incur, including any costs associated with the delivery of the educational or training programs. If a representative of HDC comes to your HURTS DONUT COMPANY Store, you must also reimburse HDC for costs of travel, per diem and lodging incurred while providing the on-site training and opening assistance.

Section 6.6: Resale Fee. As a condition of Resale of this franchise, you must pay, before Resale, a Resale fee of \$17,500.

Section 6.7: Relocation Fee. As a condition of Relocation of this franchise, you must pay, before Relocation, a relocation fee of two thousand dollars (\$2,000)

Section 6.8: Interest and Late Fee on Late Payments. Payments not received by HDC or its Related Party when due will incur a late fee of \$100 and will bear interest at 18% per year or at the highest rate allowed by applicable law on the date when payment is due, whichever is less.

Section 6.9: Payments Free of Taxes. You will make all payments described in this Article 6 free and clear of, and without any deduction or withholding on account

of, any Taxes. You will be responsible for paying the Taxes, if any. If you are required by law to deduct or withhold Taxes on any payment in this Article 6, you will increase the amount to be paid to HDC as necessary so that the net amount to be received by HDC after the deduction or withholding equals the amount HDC would have received if no deduction or withholding was required.

Section 6.10: Marketing Royalty. On each Monday during the term of this Agreement, you will pay HDC an amount equal to two percent (2%) of Gross Revenue received or earned by your HURTS DONUT COMPANY Store during the immediately preceding week (the "Marketing Royalty"). The Marketing Royalty will be utilized by HDC for local, regional or national advertising.

You agree to participate in all general marketing programs, including but not limited to gift card programs, email programs, Facebook promotions and all cross-promotional programs HDC is successful in negotiating. You agree to purchase and prominently display current seasonal posters and other point of sale marketing materials developed by and available through HDC.

We may advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Advertising Fund fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of the Advertising Fund fees to solicit new franchise sales.

Section 6.11: Training Fee and Related Expenses. When the training conducted in your HURTS DONUT COMPANY Store described in Section 5.3 is complete, you will pay a non-refundable training fee to HDC of \$10,000.

Section 6.12: Support Fee and Help Line Fee. We will advise you in the operation of your Franchised Business and offer operational support to questions you may have, at the rate of \$80 per hour.

Section 6.13: Artwork Fee for Alternative Vehicle Wrapping Companies. If we authorize you to wrap a vehicle by a company other than our affiliate, Here's Your Sign, LLC, you agree to pay to Here's Your Sign, LLC a \$500 artwork fee.

Section 6.14: Sales, Excise or Gross Receipts Tax. If required by the federal

government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you agree to pay to us at the same time and in the same manner as you pay these fees and costs to us.

Section 6.15: Third Party Charges. You agree to reimburse us for any third-party charges we may incur on your behalf. If we specify third party vendors for any goods or services for your Franchised Business, you agree to pay their charges.

Section 6.16: Secret Shopper Report Fee. You agree to pay \$80 per month for the Secret Shopper program and reporting administered by us.

Section 6.17: Store Uncleanliness Fee. If you fail a Front of House audit due to uncleanliness, you agree to pay us a fee of \$250 per occurrence.

Section 6.18: Non-Compliance with Documentation Requests Fee. If you fail to provide documentation pursuant to the Franchise Agreement, you agree to pay us a fee of \$250 per occurrence.

Section 6.19: Improper use of Trademark, Brand materials or IP Fee. You must pay us a fee of \$1,000 per occurrence if you improperly use our trademark, brand materials or intellectual property.

Section 6.20: Unauthorized Use of Product/Supplier Fee. You must pay us a fee of \$1,000 per occurrence if you use or provide products or services while utilizing a product or supplier that is not approved by us.

Section 6.21: Non-Use of Required Products or Services Fee. You must pay us a fee of \$1,000 per occurrence if you fail to use or provide products or services that we require.

Section 6.22: Unauthorized Packaging Fee. You must pay us a fee of \$1,000 per occurrence if you use improper or unauthorized packaging for the require products

Section 6.23: Poor Product Quality Fee. If, during an audit, the product(s) fail to meet the quality standards in the Operations Manual, you must pay us a fee of \$250 per occurrence.

Section 6.24: Failure to Meet Deadlines to Utilize New Equipment, products, processes. If you fail to implement new equipment, products or processes by a deadline provided by us, you must pay us a fee of \$250 per occurrence.

Section 6.25: Hygiene/Dress Code Violation Fee. If, during an audit, you or your employees fail to follow hygiene/dress code requirements, you must pay us a fee of \$250 per occurrence.

Section 6.26: Health or Safety Violation Fee. If you fail a Back of House audit, you

must pay us a fee of \$250 per occurrence.

Section 6.27: Miscellaneous Non-Compliance Fee. If you fail to operate following the standards and processes outlined in the Manual, we may levy and you must pay to us a fee of \$250 per month until rectified.

Article 7. Your Obligations

Section 7.1: Use of Trade Name and MARKS

(a) Context. You may use the Trade Name, MARKS and System only in the operation of a HURTS DONUT COMPANY Store at an Accepted Location and only in your Territory unless you have obtained HDC's written approval in advance. You may not register the Trade Name or MARKS in your state. You may not use any other trade name or marks in connection with a HURTS DONUT COMPANY Store unless you have obtained HDC's written approval in advance. Unless approved otherwise in writing by HDC, the HURTS DONUT COMPANY Store premises must not be used to conduct any business or sell any products other than goods and services offered within the HDC System. You agree that all artwork, graphics, layouts, instruction materials, slogans, names, titles, text, or similar materials incorporating or being used in connection with the MARKS which may be created by you, your employees, agents or subcontractors and any other party with whom you may contract to have such materials produced shall become the sole property of HDC or its Related Party, including copyright and trademark rights. At HDC's request, you must provide such materials to HDC in a form suitable for distribution. All our Trade Name, MARKS or System must be used in accordance with our standards and specifications outlined in our Confidential Operations Manual which specifically prohibits any use not completely related to the operation of your business.

(b) Changes in Trade Name and MARKS. HDC and its Related Party have invested substantial time, energy, and money in the promotion and protection of the Trade Name and other MARKS as they exist on the Start Date. It has no present intention of altering them. However, HDC recognizes that rights in intangible property such as the Trade Name and MARKS are often difficult to establish and defend and that changes in the cultural and economic environment within which the System operates or third-party challenges to HDC's rights in the MARKS may make changes in the Trade Name and MARKS desirable or necessary. HDC and its Related Party therefore reserve the right to change the Trade Name and MARKS and the specifications for each when HDC believes that such changes will benefit the Franchise Network. You agree that you will promptly conform to any such changes.

(c) Advertising and Marketing Programs and Materials. You agree to participate in all marketing programs. You agree to purchase and display current seasonal posters and other marketing materials. You agree to submit to HDC copies of all marketing materials that you propose to use before the first time they are

broadcast, posted on the internet or published. You must include HDC's website address in all marketing and promotional materials. HDC may not withhold its approval unreasonably. For purposes of this paragraph, marketing materials that differ from previously accepted materials only in such variables as date or price will be considered to be previously accepted. Even if HDC has accepted specified materials, it may later withdraw its approval if it reasonably believes it necessary to make the marketing conform to changes in the System or to correct unacceptable features of the marketing, including any misrepresentation in the marketing material. You agree that all advertising or marketing materials of any nature conceived, developed, prepared, paid for or produced, in whole or in part, by ~~you~~, your employees, agents or subcontractors are the sole property of HDC or its Related Party.

(d) Trademark Infringement. You agree to notify HDC immediately in writing if you become aware of any unauthorized use of the Trade Name, MARKS, or System. You will promptly notify HDC in writing of any claim, demand, or suit against you or against your principals in connection with your use of the Trade Name or MARKS. HDC is under no obligation to defend a possible infringement to its MARKS if, in HDC's sole opinion, the possible infringement is inconsequential or too costly to defend. In any action or proceeding arising from or in connection with any such claim, demand, or suit, you agree that HDC or its Related Party may select legal counsel and has the right to control the proceedings. HDC has the right to hire counsel to represent you at its own expense.

(e) Acts of Derogation. You agree that as between HDC and you, HDC is the exclusive licensee of the MARKS. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership of the MARKS by virtue of your franchised use thereof or otherwise. It is expressly understood and agreed that ownership and goodwill are and, as between you and HDC, shall remain vested solely in HDC or its Related Party, and the use of the MARKS is only co-extensive with ~~the~~ term of this Agreement. You acknowledge that the material and information provided or revealed to you pursuant to this Agreement (including in particular, but without limitation, the Confidential Operations Manuals) are Trade Secrets of HDC or its Related Party and are revealed in confidence, and you expressly agree to keep and respect the confidence so reposed, both during the term of this Agreement and thereafter. HDC or its Related Party, as the licensee and owner of the MARKS, respectively, expressly reserve all rights with respect to the MARKS, Trade Secrets, method of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manuals. HDC shall disclose its Trade Secrets to you by loaning you for the term of this Agreement the Confidential Operations Manuals and other written materials containing the Trade Secrets, through training and assistance provided to you, and by and through the performance of HDC's other obligations under this Agreement. You acknowledge that HDC or its Related Party is the sole owner of all proprietary information and Trade Secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that the Trade Secrets are not generally known to the donut and confectionary industry, or to the public at large and are not known to you except by reason of such disclosure. You further acknowledge that

you shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the HURTS DONUT COMPANY Store during the term of this Agreement. In addition, you acknowledge that the use or duplication of the Trade Secrets except as expressly permitted by this Agreement shall constitute an unfair method of competition and that HDC or its Related Party shall suffer irreparable injury thereby. You agree that you will not do or permit any act or thing to be done in derogation of any of the rights of HDC or its Related Party in connection with the MARKS, either during the term of this Agreement or thereafter, and that you will use same only for the uses and in the manner franchised and licensed hereunder and provided in this Agreement. Furthermore, you and your employees and agents will not engage in any acts or conduct that materially impairs the goodwill associated with the MARKS.

Section 7.2: Site Selection. You must, on your own initiative and at your own expense, locate, obtain and occupy the site for the HURTS DONUT COMPANY Store. Our prior written acceptance of the proposed site must be obtained. HDC's acceptance may depend on the site assessment based on HDC's real estate criteria. To seek HDC's acceptance, you must advise HDC of the street address of the proposed site and provide a copy of the proposed lease. The site must be approved by HDC and the lease must contain language and terms that, among other things, provide that HDC is granted an option, without cost or expense to HDC, to assume or authorize its assignee to assume the lease if the franchise Agreement is Terminated for any reason, including the expiration of the term, or if you should be in default under the lease.

Section 7.3: Opening. You may not open your HURTS DONUT COMPANY Store to the public until HDC indicates in writing that, in the view of its management, you and your employees are prepared to do so. By accepting a particular site for the premises of a HURTS DONUT COMPANY Store, HDC does not guarantee that the HURTS DONUT COMPANY Store operating at that location will be successful. Further, the opening date for your HURTS DONUT COMPANY Store will not be set until and unless:— (a) a certificate of occupancy (or local equivalent) is obtained for such Store; and (b) you pass a pre-opening inspection performed by HDC to ensure the Store complies with all HDC requirements.

Section 7.4: Compliance with Confidential Operations Manual and Forms. You must operate the HURTS DONUT COMPANY Store in compliance with the standards and specifications set out in the Confidential Operations Manuals.

Section 7.5: Products and Services Offered. You must offer substantially all the donuts, products and services that HDC has authorized you to provide. At HDC's request, these donuts and products are to include new donuts and products developed by HDC or its Related Party.

In order to achieve economies of scale or to maintain quality standards, HDC may require you to buy certain types of ingredients or products only from HDC,

its Related Party, or a designated supplier. Otherwise, you may purchase ingredients or products that are to be sold or used in the HURTS DONUT COMPANY Store from any supplier that has been accepted by HDC in writing as meeting the standards established by HDC.

The products and donuts you sell must meet the specifications set out in the current version of the Confidential Operations Manuals.

If you would like to use or sell any donut or product not previously certified by HDC to meet HDC specifications or which is sold by a supplier not previously accepted by HDC, you must advise HDC of this fact and, upon HDC's request, give HDC donut or other product specifications, sample products, ingredients and/or information about the supplier. HDC will promptly communicate to you in writing either its approval or its reasons for withholding its approval. HDC will not ask you to reimburse it for expenses incurred by HDC in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Trade Name or MARKS, HDC may require that the supplier sign HDC's License Agreement. HDC may withdraw its approval of a supplier or a donut or other product if it or both no longer meets HDC's or any of our Related Party's standards or specifications, or if it is no longer in the interest of the System.

Section 7.6: Inspections. HDC may conduct inspections of your HURTS DONUT COMPANY Store during normal business hours. Inspections may be unannounced. You must promptly correct any deficiencies in your operation of which you are advised by HDC. If you do not take effective steps to bring your operation up to HDC standards, your failure to do so may constitute a material breach of this Agreement. Inspection standards are contained in the Confidential Operations Manual. Inspections that fall below the eighty percent (80%) threshold are considered a failure and, at the option of HDC, may constitute a default under Section 10.2(b)(11). In the event that You or your HURTS DONUT COMPANY Store fails any such inspection, your HURTS DONUT COMPANY Store will be re-inspected approximately thirty (30) days later and the costs incurred by HDC for such re-inspection shall be paid immediately to HDC by You.

Section 7.7: Use of Ingredients and Inventory; Products; Recipes. The quality, variety and brand identity of the donuts, ingredients, and inventory used in the HURTS DONUT COMPANY Store is integral to the success of the System. Therefore, HDC may require that you purchase any or all of ingredients and inventory through its designated suppliers. You further acknowledge and agree that HDC has and may continue to develop for use in the System certain products which are prepared from confidential proprietary recipes and which are trade secrets of HDC and other proprietary products bearing the Franchisor's Marks. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that HDC closely control the production and distribution of such products. Accordingly, you agree that if such products become a part of the System, you shall use only HDC's secret recipes and proprietary products

and shall purchase solely from HDC or from a source designated by HDC all of your requirements for such products. You further agree to purchase from HDC for resale to your customers certain merchandise identifying the System as HDC shall require, such as pre-packaged food products and HDC memorabilia and promotional products, in amounts sufficient to satisfy your customer demand.

Section 7.8: Notification of Complaints. You must notify HDC promptly if you are served with a complaint in any legal proceeding that is in any way related to the HURTS DONUT COMPANY Store or if you become aware that you are the subject of any complaint to or investigation by a governmental licensing authority or consumer protection agency.

Section 7.9: Owner's Participation; Management and Staffing; Training.

(a) Management. You or your Manager, must devote all your productive time and effort to the management and operation of the HURTS DONUT COMPANY Store for a minimum of 40 hours per week. You, the Store Manager or another employee who has successfully completed HDC initial training program must be available to the Accepted Location whenever the HURTS DONUT COMPANY Store is open for business. If you own more than one HURTS DONUT COMPANY Store, an additional Store Manager must be employed for each. If HDC, in its sole discretion, determines that a Store Manager is not properly performing his duties, HDC will advise you and you must correct the situation. You must keep HDC informed as to the identity of your HURTS DONUT COMPANY Store Manager. Upon the termination of employment of a Store Manager, you must appoint a successor within thirty (30) days. Any successor Store Manager, at HDC's option, may be required to successfully complete the training program conducted by HDC before starting work in the HURTS DONUT COMPANY Store unless you obtain HDC's prior written waiver of this condition.

(b) Employees. You must maintain at all times a staff of trained employees sufficient to operate the HURTS DONUT COMPANY Store in compliance with HDC standards.

(c) Annual and Regional Meetings. At your sole cost and expense, you must attend the Annual Franchisee Meeting if offered, and one of the Regional Franchisee Meetings, if offered, each year.

(d) Training. You (meaning, if you are an entity, every owner with at least ten percent (10%) ownership interest and responsibility for store operations) or, in a multi-Store situation, your approved HURTS DONUT COMPANY Store ~~Manager~~Manager, must have attended and successfully completed the HDC initial training program to the satisfaction of HDC in accordance with Section 5.3. Furthermore, HDC may require you to complete additional training as required in its reasonable discretion.

(e) Franchise Owners. You agree to accurately and completely furnish to us the names, contact information, and ownership percent ~~of~~ anyone owning an interest

in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages ~~are~~is permitted without our prior written consent.

Section 7.10: Local Advertising.

(a) Local Advertising. You may make requests to HDC (which may be granted or withheld in our sole discretion) for monies (not to exceed the Marketing Royalty paid by you to us) to spend on local advertising and promotion that conform to the specifications in the Confidential Operations Manuals. For purposes of this paragraph, "local advertising" means advertising that is primarily directed to people or entities within the Territory.

(b) Signs. You must permanently display, at your own expense, on your business premises of your HURTS DONUT COMPANY Store, HURTS DONUT COMPANY signs of any nature, form, color, number, location and size, and containing any legends that HDC has designated in writing.

(c) Franchise Sales Materials. You must prominently display signs and other promotional sales materials supplied by HDC at its own expense with which members of the public may inquire about HDC franchises and cards which list all HDC locations.

(d) Point-of-Purchase Materials. You must prominently display all point-of-purchase promotional materials developed by HDC.

Section 7.11: Financial Information.

(a) Records. If designated by HDC in its Confidential Operations Manuals, you must use HDC's Point-of-Sale system in accordance with the Confidential Operations Manuals. You must retain daily sales reporting forms and accompanying data for at least three years after the year of sale. If your Point-of-Sale system must be repaired, a replacement Point-of-Sale system must be used in its absence.

(b) Reports. You must submit to HDC, on or before the tenth (10th) day of February following each year, annual financial reports on the income and expenses of the HURTS DONUT COMPANY Store in the format specified in the Confidential Operations Manual. On or before the twentieth (20th) day of each month, you must submit monthly financial reports on the income and expenses of the HURTS DONUT COMPANY Store in the format specified in the Confidential Operations Manual. You must purchase or lease computer and communications equipment and software that meet specifications set out in the Confidential Operations Manuals to facilitate the creation of standardized financial records and their conveyance to HDC. You must install and maintain a high-speed internet connection for electronic communications. You must permit HDC to poll your point-of-sale system on a daily basis. Additionally or alternatively, at HDC's sole option, you must submit a statement of Gross Revenue

on a form designated by HDC with each Royalty Fees payment. You must also submit to HDC, at the time of filing, copies of all annual federal, state and local income tax returns and in no case later than May 1st of the following year. Upon HDC's request, you must also submit local and state sales tax returns and payroll tax returns.

(c) Access. You must allow HDC at all times to poll or inquire your Point-of-Sale system to review Gross Revenue.

Section 7.12: Entry and Inspection. We have the right at any time to inspect the HURTS DONUT COMPANY Store and your business records and files, bookkeeping records, sales receipts, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, and any other records and documents including any electronic version, without notice.

In order to preserve the validity and integrity of the MARKS and to assure that you are properly employing them in the operation of your business, and to assure that you are properly using our System in your business operation, we will at all times have the right to observe the manner in which you are rendering services and selling products to the public, and to confer with your employees and customers.

Section 7.13: Electronic Access. Website. Social Media You must establish and maintain an e-mail address which all members of the HDC Franchise Network and the public can use. You must keep HDC advised of your current e-mail address and must permit its publication in an intra-Network directory.

We, or one or more of our designees may establish a Facebook (or any other social media) page or series of pages and/or a website or series of websites for the System and/or the sale of any goods or services under the MARKS to advertise, market and promote the System and the products and services it offers, and/or for any other purposes that we determine are appropriate. If we include information about you on such website or social media page, you agree to give us the information and materials that we periodically ~~requests~~request concerning the Franchised Business and to otherwise participate in such website or social media page in the manner that we periodically specify. By posting or submitting to us information or materials for the website or social media page, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party's rights.

We shall own all intellectual property and other rights in the System website and any other System social media page and all information they contain, including the domain name or URL, administrative rights and any personal or business data that visitors supply. We may implement and periodically modify system standards relating to the System website or System social media pages and, at our option, may discontinue or modify the System website, or may discontinue, modify or add System social media pages, at any time.

You may not develop, maintain or authorize any other website, Facebook page, other social media page, or other online presence or other electronic medium that

mentions or describes the Franchised Business or displays any of the MARKS without our prior written approval. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, Facebook page, other social media page, other electronic means or medium, or otherwise over the Internet without our prior written approval. Any and all social media that you engage in must be pre-approved by us in writing and must be in accordance with our standards that are specified from time to time. We shall be named as an administrator (or like title with authority to modify or terminate such account) for any Facebook or other social media page or account.

Section 7.14: Insurance. You must purchase and maintain a policy or policies of comprehensive public liability insurance, including product liability coverage, covering all HURTS DONUT COMPANY assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000. HDC may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances. You must also carry 1) casualty insurance in a minimum amount equal to the replacement value of your interest in the HURTS DONUT COMPANY Store premises, including furniture, fixtures and equipment, and 2) business interruption insurance in an amount sufficient to cover the rent of the HURTS DONUT COMPANY Store premises, salary or wages of key personnel, and other fixed expenses, including fees payable to HURTS DONUT COMPANY. In addition, you must maintain policies of worker's compensation insurance, disability insurance and any other types of insurance required by applicable law. Each insurance policy that is required under this Agreement must contain a provision that the policy cannot be canceled without ten (10) days' written notice to HDC. It must be issued by an insurance company of recognized responsibility, designate HDC as additional named insured, including a waiver of subrogation, and be satisfactory to HDC in form, substance and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to HDC within ten (10) days after the policy is issued or renewed. In the event operations are suspended due to fire, condemnation or Act of God, minimum Royalty Fees will be calculated as an average of your previous 12 months and will be included as a fixed expense in your business interruption insurance claim.

Section 7.15: Financial and Legal Responsibility.

(a) Compliance with Law. You must comply with all federal, state, and local laws and regulations pertaining, directly or indirectly, to the HURTS DONUT COMPANY Store. You must keep current all licenses, permits, bonds, and deposits made to or required by any government agency in connection with the operation of the HURTS DONUT COMPANY Store.

(b) Payment of Indebtedness. You must pay promptly when due all taxes, leases and debts that you incur in the conduct of your business.

(c) Loans. You shall not obtain loans from any third parties without the prior

written consent of HDC, which shall not be unreasonably withheld, conditioned or delayed, including but not limited to loans from Square Capital.

Section 7.16: Hours. Your HURTS DONUT COMPANY Store must be open to the public 24 hours a day, 7 days a week, absent an Act of God or other prior written approval by us.

Section 7.17: Vehicles; Drivers. Any vehicle used by you to deliver HDC donuts, products and services to customers shall satisfy the requirements imposed on you hereunder. You shall place such signs and décor items on the vehicle as HDC requires and shall at all times keep such vehicle clean and in good working order. You shall not knowingly employ, engage or utilize any individual in the operation of a motor vehicle in connection with providing services hereunder who (i) is under the age of eighteen (18) years, (ii) does not possess a valid driver's license under the laws of the state in which you provides such services, (iii) is not an acceptable insurance risk by your insurance carrier, or (iv) has been convicted of driving under the influence of alcohol or any other controlled substance within five (5) years prior to being so employed, engaged or utilized. Franchisee shall require each such individual to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, HDC does not set forth any standards or exercise control over any motor vehicle utilized by you.

Article 8. Relationship of Parties

Section 8.1: Interest in MARKS and System. You may not at any time do or cause to be done anything contesting or impairing HDC's or its Related Party's interest in the Trade Name, MARKS or System. You acquire no rights in any of these things except for your right to use them in accordance with the express terms of this Agreement. HDC retains the right to grant other franchises or licenses to use the Trade Name, MARKS and System upon any terms that HDC wishes, subject only to your limited territorial rights described in Article 4 of this Agreement. You expressly agree that any goodwill associated with the MARKS or System, including and goodwill, products or services which might be deemed to have arisen through your activities, inures directly and exclusively to HDC's or its Related Party's benefit and ownership.

Section 8.2: Independent Status. You are an independent legal entity and must make this fact clear in your dealings with suppliers, lessors, government agencies, employees, customers and others. You will rely on your own knowledge and judgment in making business decisions, subject only to the requirements of this Agreement and the Confidential Operations Manuals. You may not expressly or implicitly hold yourself out as an employee, partner, shareholder, joint venturer or representative of HDC, nor may you expressly or implicitly state or suggest that you have the right or power to bind HDC or to incur any liability on HDC's behalf. You may not use the Trade Name as part of your corporate, limited partnership or other legal entity.

Section 8.3: Display of Disclaimer. You must conspicuously display a sign that states that "THIS HURTS DONUT COMPANY STORE IS INDEPENDENTLY OWNED AND OPERATED" at the Accepted Location. Business cards, stationery, purchase order forms, invoices, leases, tax returns and other documents you use in your business dealings with suppliers, lessors, government agencies, employees and customers must clearly identify you as an independent legal entity.

Section 8.4: Confidentiality. You acknowledge and agree that the information, ideas, forms, marketing plans and other materials disclosed to you under this Agreement, whether or not included in the Confidential Operations Manuals, are confidential and proprietary information and trade secrets of HDC. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third party, except to your employees and agents as necessary in the regular conduct of the HDC Store and except as authorized in writing by HDC. You will be responsible for requiring compliance of your Related Parties and employees with the provisions of this section. You must obtain written non-disclosure agreements, in the form of Attachment 3 to this Agreement, from your Related Parties and employees and must send HDC a copy of each such agreement within ten (10) days after each Related Party or employees begins his or her relationship with you.

Section 8.5: Indemnification. If you are made a party to a legal proceeding arising from your use of the Trade Name and MARKS, or any of them, you must immediately notify us. We have ~~has~~ the right to hire counsel to represent you in any such proceeding at its own expense.

You will indemnify and hold HDC harmless from all expenses and liabilities of any kind arising from or in any way connected to your act or omission, including expenses or liabilities caused by HDC's or its Related Party's own active or passive negligence related to or in any way connected to any activity of yours. If HDC is made a party to a legal proceeding in connection with such an act or omission, HDC may hire counsel to protect its interests and bill you for all costs and expenses incurred by HDC. You must promptly reimburse HDC for such costs and expenses.

Section 8.6: Covenant Not to Compete. You may not, directly or indirectly, during the term of this Agreement and for two (2) years after its Termination, operate, or own more than a ten percent (10%) beneficial interest in, any company or business that makes or sells donuts or other baked goods or is otherwise competitive with any HURTS DONUT COMPANY Store and that is located within fifty (50) miles of the Accepted Location or any other Hurts Donut Company Store in the United States. You agree to obtain the individual written agreement of each of your Related Parties and employees to the provisions of this section in the form of Attachment 3 to this Agreement within ten (10) days after each Related Party or employee assumes that status with you and to forward copies of each of these agreements to HDC.

Article 9: Resale of Franchise

Section 9.1: Purpose of Conditions for Approval of Resale. HDC's grant of this

franchise is made in reliance upon your integrity, ability, experience and financial resources. Neither the franchise nor the HURTS DONUT COMPANY Store operated under it may be Resold unless you have first obtained HDC's prior written consent, which may not be unreasonably withheld. In order to ensure that no Resale jeopardizes the Trade Name, the MARKS, or HDC's interest in the successful operation of the HURTS DONUT COMPANY Store, HDC will consent to a Resale only if you comply with the provisions of Sections and 9.3 of this Agreement and if the conditions described in Section 9.4 are fulfilled.

Section 9.2: Notice of Proposed Resale. If you would like to Resell this franchise, you must submit to HDC:

- (a) the form of franchise purchase application and confidentiality agreement currently in use by HDC, completed and signed by the prospective transferee;
- (b) a written notice, describing all the terms and conditions of the proposed Resale; and
- (c) the Resale fee described in Article 6 of this Agreement.

If the Resale is not accepted by HDC, or if the proposed Resale is not finalized for any other reason, HDC will return the Resale fee to you after deducting direct costs incurred in connection with the proposed Resale.

Section 9.3: Consent by HDC; Right of First Refusal. After HDC has received your notice of Resale, HDC must respond in writing to your written notice within fifteen (15) days after receiving it or, if HDC requests additional information and/or a personal meeting with the proposed transferee, within the later date of fifteen (15) days after receipt of the additional information or the personal meeting, or the final day of the original fifteen (15) day period, HDC may either consent to the Resale, tell you its reason for refusing to consent, or purchase the HDC Store from you itself upon the same terms and conditions as those offered by the third party. Silence by HDC may not be construed as consent. If HDC consents to the Resale, then you may Resale the interest described in the notice only to the named transferee and only upon the terms and conditions stated in the notice. Consent by HDC to a particular Resale will not constitute consent to any other or subsequent Resale. If HDC decides to exercise its right of first refusal, it may substitute cash or a cash equivalent for any non-cash consideration offered by your proposed transferee.

Section 9.4: Conditions for Consent to Resale. The consent of HDC is subject to certain conditions, including but not limited to:

- (a) Satisfaction of HDC that the proposed transferee meets all the criteria of character, business experience, financial responsibility, net worth and other standards that HDC customarily applies to new franchisees at the time of Resale. HDC may require a personal meeting with the proposed transferee at its principal office;

(b) Payment of all your outstanding debts to HDC and its Related Party prior to training of the transferee, from the first proceeds of any Resale;

(c) Cure of all defaults under the Franchise Agreement, any other agreement(s) between HDC or its Related Party and you, and the Confidential Operations Manuals;

(d) Signing by the transferee of the then-current form of franchise agreement;

(e) Your payment of the Resale fee described in Article 6 of this Agreement;

(f) Receipt by HDC of an executed copy of the Purchase Agreement and Bill of Sale;

(g) Completion by the transferee of the HDC initial training program to HDC's satisfaction;

(h) Your signing of a general release of claims in favor of HDC;

(i) Return of all Confidential Operations Manuals to HDC; and

(j) Compliance by you of all your obligations to HDC, whether under this Agreement or any other agreement, arrangement or understanding with HDC

Section 9.5: Changes of Ownership Not Considered to Be Resales. As used in this Agreement, the term "Resale" does not mean an assignment to:

(a) Any Trustee, Guardian or Conservator for the account and benefit of a spouse, ancestor or descendent;

(b) Any business entity if the beneficial ownership of the business entity immediately following the assignment is the same and in the same proportions as the beneficial ownership immediately before the assignment. However, no such assignment will relieve the original party of any of its obligations under this Agreement. Information on the identity of the shareholders and officers of the corporation, the percentage of ownership, and the address where corporate records are maintained must be submitted promptly to HDC; or

(c) Any of your employees under any employee stock option plan or stock purchase plan, provided that any share certificate distributed under such a plan is marked with a legend describing the restrictions and conditions of Resale required by this Agreement.

Section 9.6: Resale Upon Death. If you die within the term of this Agreement, your heirs or beneficiaries may have sixty (60) days within which to demonstrate to HDC's satisfaction that they meet all of the criteria of character, business experience,

financial responsibility, net worth and other standards that HDC requires of new franchisees at that time. If HDC approves your heirs or beneficiaries as transferee of the franchise, HDC will waive any Resale fee in connection with the Resale. If HDC advises your heirs or beneficiaries in writing that HDC will not approve them as transferees of the franchise, or if HDC fails to approve or disapprove the Resale within sixty (60) days following your death, your heirs or beneficiaries may have one hundred twenty (120) additional days from the date of disapproval of the Resale or the end of the sixty (60) day period, whichever is first, within which to find and notify HDC of a proposed Resale to a qualified transferees in conformity with the provisions of Sections 9.2, 9.3, and 9.4 of this Agreement. If your heirs or beneficiaries do not advise HDC of qualified transferees within the specified period, the franchise will automatically Terminate at the end of the period unless a written extension of time has been granted by HDC.

Section 9.7: Assignment by HDC. HDC may assign this Agreement or any rights or obligations created by it at any time without your consent upon the following conditions: - (a) HDC reasonably believes that the assignee is capable of performing HDC's obligations under this Agreement; and (b) the assignee expressly agrees in writing to assume HDC's obligations under this Agreement.

Article 10: Termination of Franchise

Section 10.1: Termination by You. This Agreement may be Terminated upon the mutual written consent of the parties. In addition, you may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

Section 10.2A: Termination by Us -Without the Opportunity to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;

- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

Section 10.2B: Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

Section 10.3: Rights and Obligations After Termination. Upon Termination of this Agreement for any reason, including expiration of this Agreement, the parties will have the following rights and obligations:

- (a) You shall cease to operate the Franchised Business;
- (b) You must give HDC a final accounting for the HURTS DONUT COMPANY Store, pay ~~HDC and any Related Party all payments due directly out of~~ the proceeds of any sale or dissolution of the assets, and return the Confidential Operations Manuals and any other property belonging to HDC.
- (c) You must immediately and permanently stop using the MARKS or any confusingly similar marks, the System, or any advertising, signs, stationery, or ~~forms that bear identifying marks or colors that might give others the impression that you are operating a HURTS DONUT COMPANY Store.~~

(d) The physical assets of the Store, including but not limited to the furniture, fixtures, equipment, inventory, supplies and marketing materials, cannot be transferred to a third party outside the Franchise System.

(e) The Store premises must not be rented, leased, subleased, sold, or assigned to any person or legal entity offering the sale of donuts or confectionaries outside the Franchise System.

(f) You must promptly sign any documents and take any steps that in the judgment of HDC are necessary to delete your listings ~~from~~ any print or online directories, disconnect or, at HDC's option, assign to HDC all telephone numbers that have been used in the HURTS DONUT COMPANY Store, and terminate all other references that indicate you are or ever were affiliated with HDC. By signing this Agreement, you irrevocably appoint HDC your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within seven (7) days after Termination of this Agreement.

(g) You must maintain all records required by HDC under this Agreement for a period of not less than three (3) years after final payment of any amounts you owe to HDC when this Agreement is Terminated.

(h) HDC has an option to purchase any or all of the physical assets of your HURTS DONUT COMPANY Store, including equipment, supplies and inventory, during a period of sixty (60) days following the effective date of Termination, valued as follows: The lower of cost or fair market value of the supplies and inventory and other tangible personal property, less any liens or encumbrances. HDC must send written notice to you within thirty (30) days after Termination of this Agreement of its election to exercise the option to purchase. If the parties do not agree on a price within the option period, the option period may be extended for up to fifteen (15) business days to permit appraisal by an independent appraiser who is mutually satisfactory to the parties. If the parties fail to agree upon an appraiser within the specified period, each must appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within ninety (90) days after Termination who must determine the price for the physical assets of the HURTS DONUT COMPANY Store in accordance with the standards specified above. This determination will be final and binding upon both HDC and you. You must sign a bill of sale and any other documents necessary to complete the sale on the terms set out above.

(i) HDC has an option to replace you as lessee under any lease for equipment that is used in connection with the HURTS DONUT COMPANY Store. Upon request by HDC, you must give HDC copies of the leases for all equipment used in the HURTS DONUT COMPANY Store immediately upon Termination. Upon request by HDC you must allow HDC the opportunity, at a mutually satisfactory time, to inspect the leased equipment. HDC must request the information and access described in this paragraph within fifteen (15) days after Termination; it must advise you of its intention to exercise the option within fifteen (15) days after it has

received the information and inspected the equipment. HDC may assume any equipment lease in consideration of its assumption of future obligations under the lease. Upon exercise of this option by HDC you will be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.

(j) HDC has an option to replace you as lessee of the premises of the HURTS DONUT COMPANY Store. If you rent the premises of the HURTS DONUT COMPANY Store, HDC may assume the lease in return for its assumption of future obligations under the lease. Upon exercise of this option by HDC, you will ~~-be-~~ fully released ~~-and -discharged -from -future -rents -and -other-~~ future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.

If the franchise granted in this Agreement is Terminated because of your default, the rights of HDC described above may not necessarily be HDC's exclusive remedies but will instead supplement any other equitable or legal remedies available to HDC. Without limitation, if this Agreement is Terminated because of your default, HDC may recover all damages, including lost Royalty Fees, incurred as a result of such default. Termination of this Agreement will not end any obligation of either party that has come into existence before Termination. All obligations of the parties which by their terms or by reasonable implication are to be performed in whole or in part after Termination will survive Termination.

Article 11: Governing Law

Section 11.1: Choice of Law. This Agreement is effective upon its acceptance in Illinois by our authorized officer. Except as to claims governed by federal law, Missouri law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

Section 11.2: Jurisdiction and Venue. You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Greene County, Missouri. However, if you are an Illinois or Maryland resident or your franchise territory is located in Illinois or Maryland, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

Section 11.3: Jury Waiver. In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

Section 11.4: Class Action Waiver. You agree to bring any Claims, if at all, individually

and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

Section 11.5: Punitive Damages Waiver. As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

Section 11.6: Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

Section 11.7: Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

Section 11.8: Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 11.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third-party.

Section 11.9: Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we ~~can not~~cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA"), and split any AAA and mediator fees equally.

Section 11.10: Waiver of bond. You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

Section 11.11: Attorney Fees. If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

Section 11.12: Third-party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Governing Law provisions contained herein.

Section 11.13: Area Representatives. If you are or become in a territory under an Area Representative, you agree not to bring any Claims against the Area Representative. If you breach this clause, you agree to reimburse us or the Area Representative for any legal fees and costs incurred in defending such Claim.

Article 12: Miscellaneous

Section 12.1: Construction of Contract. Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained

in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires, including words with the first letter capitalized.

Section 12.2: Notices. The parties to this Agreement should direct any notices to the other party at the address below that party's name on the final page of this Agreement or at another address if advised in writing that the address has been changed. Notice may also be delivered by email.

Section 12.3: Amendments. This Agreement may be amended only by a document signed by all the parties to this Agreement or by their authorized agents.

Section 12.4: Waiver. Waiver of any breach of this Agreement may not be interpreted as a waiver of any subsequent breach.

Section 12.5: Integration. This Agreement, including any exhibits or attachments, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

Section 12.6: Severability. Each provision of this Agreement will be considered severable. If any provision of it is determined to be invalid or in conflict with any existing or future law or regulation, that provision will be deemed severed and will not impair the operation of the remaining provisions of this Agreement.

Section 12.7: Survival. All of the covenants contained in this Agreement that may require performance after the termination or ~~expiration~~expiration of this Agreement will survive any termination or expiration of this Agreement.

Section 12.8: Business Risk. You agree that the success of the business venture to be undertaken by you by virtue of this Agreement depends, to a large extent, upon your ability as an independent businessperson, and your active participation in the daily affairs of the business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of your business venture. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations; you also acknowledge that we have not made any other representations, including any representation of sales or profits to be realized by you in connection with the Franchised Business which are not expressly set forth here or in our Franchise Disclosure Document to induce you to accept this franchise and execute this Agreement.

Section 12.9: Furnishing of Franchise Disclosure Document. You acknowledge receipt of our Franchise Disclosure Document, and stipulate that you have not paid any monies to us in the fourteen (14) calendar-day period immediately subsequent to

your receipt of our Franchise Disclosure Document.

Section 12.10: No Conflict With Other Agreements. You represent that you are not a party to or subject to other agreements that might conflict with the terms of this Agreement. You agree not to enter into any other agreement that may conflict with this Agreement during the term of this Agreement.

Article 13: Guaranty

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

SIGNATURES ON FOLLOWING PAGE

Franchisee: _____ Entity Number: _____

Type: _____ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship (“JTROS”), Tenants in Common, Partnership).*

SIGNATORS:

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

Hurts Donut Company, LLC

By: _____ Effective Date: _____
Timothy Clegg, CEO

***Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent’s share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

ATTACHMENT 1 TERRITORY

Your Territory shall be as follows:

ATTACHMENT 2
AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination Authorization

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

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Hurts Donut Company, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Hurts Donut Company, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

ATTACHMENT 3

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

In return for training by Hurts Donut Company, LLC d/b/a Hurts Donut Company ("HDC") to operate a HURTS DONUT COMPANY Store, or his or her employment by HDC or one of its franchisees, or the furnishing of information during communications as a prospective Hurts Donut franchisee, _____ ("Confidant") agrees as follows:

1. Non-Disclosure of Trade Secrets and Confidential Information. Confidant agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Trade Secret or other Confidential Information of HDC to any other person or entity unless authorized in writing by HDC. Confidant agrees not to use any Trade Secrets or Confidential Information for his or her personal gain or for purposes of others, whether or not the Trade Secret or Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by Confidant or represents Confidant's work product. If Confidant has assisted in the preparation of any information that HDC considers to be a Trade Secret or Confidential Information or has himself or herself prepared or created the information, Confidant assigns any rights that he or she may have in the information as its creator to HDC, including all ideas made or conceived by Confidant.

2. Definition of Trade Secrets and Confidential information. For purposes of this Agreement, the term "Trade Secrets" and "Confidential Information" means any knowledge, techniques, processes or information made known or available to Confidant that HDC treats as confidential, whether existing now or created in the future, including but not limited to information about the cost of materials and supplies, supplier lists or sources of supplies, internal business forms, orders, customer accounts, Confidential Operations Manuals and instructional materials describing HDC's methods of operation, including HDC's Confidential Operations Manuals, recipes, products, drawings, designs, plans, proposals, and marketing plans, all concepts or ideas in, or reasonably related to HDC's business that have not previously been publicly released by HDC; and any other information or property of any kind of HDC that may be protected by law as a Trade Secret, confidential or proprietary. The Trade Secrets and Confidential Information described in this Agreement are the sole property of HDC.

3. Return of Proprietary Materials. Upon Termination of franchise ownership or territory reservation or employment by HDC or an HDC Franchisee, Confidant must surrender to HDC or its designee all materials considered proprietary by HDC, technical or non-technical, whether or not copyrighted, which relate to Trade Secrets, Confidential Information or conduct of the operations of HDC. Confidant expressly acknowledges that any such materials of any kind given to him or her are and will remain the sole property of HDC.

4. Non-Competition. Confidant agrees and covenants that because of the confidential and sensitive nature of the Confidential Information and because the use of the Confidential Information in certain circumstances may cause irrevocable damage to HDC, Confidant will not, ~~until the expiration of~~during the term of this Agreement and, if Confidant is an owner of the Franchisee, for two (2) years after the termination of the employment relationship between Confidant and HDC or the HDC franchisee that employs him or her, Confidant shall not, directly or indirectly, offer or operate a business that makes or sells donuts within fifty (50) miles of any existing HDC Store.

5. Saving Provision. Confidant agrees and stipulates that the agreements and covenants not to compete contained in the preceding paragraph are fair and reasonable in light of all the facts and circumstances of the relationship between Confidant and HDC; however, Confidant and HDC are aware that in certain circumstances courts have refused to enforce certain agreements not to compete. Therefore, in furtherance of the provisions of the preceding paragraph, Confidant and HDC agree that if a court should decline to enforce the provisions of the preceding paragraph, that paragraph must be considered modified to restrict Confidant's competition with HDC to the maximum extent, in both time and geography, which the court finds enforceable.

6. Irreparable Harm to HURTS DONUT COMPANY. Confidant understands and agrees that HDC will suffer irreparable injury that cannot be precisely measured in monetary damages to its Trade Secrets if Confidential Information or proprietary information is obtained by any person, firm or corporation and is used in competition with HDC. Accordingly, Confidant agrees that it is reasonable and for the protection of the business and goodwill of HDC for Confidant to enter into this Agreement. Thus, if there is a breach of this Agreement by Confidant, Confidant consents to entry of a temporary restraining order or other injunctive relief and to any other relief that may be granted by a court having proper jurisdiction, and waives the posting of bond on any injunction granted.

7. Binding Effect. This Agreement will be binding on Confidant's heirs, executors, successors and assignees as though originally signed by these people.

8. Applicable Law. This Agreement is made in the State of Missouri and its provisions will be governed by and interpreted under the laws of that State. If any provision of this Agreement is void or unenforceable, the remainder of the Agreement will be fully enforceable according to its terms.

CONFIDANT:

DATE: _____

Printed Name: _____

**ATTACHMENT 4
LEASE RIDER AGREEMENT**

Landlord	
Landlord Name:	
Landlord Address:	
Landlord Phone Number:	

Franchisor	
Franchisor Name:	Hurts Donut Company, LLC
Franchisor Address:	2034 W. Vista Street, Springfield, MO 65807
Franchisor Phone Number:	(417) 368-0279

Tenant	
Tenant Name:	
Address of Leased Premises:	
Date of Lease:	

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Hurts Donut Store business (or any name authorized by Franchisor).
2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.
3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord's approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.
4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the "Assumption"), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor's brand, subject to Landlord's approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Agreement Rider or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

LANDLORD:

By: _____

Name: _____

Title: _____

TENANT:

By: _____

Name: _____

Title: _____

FRANCHISOR:

Hurts Donut Company, LLC

By: _____

Timothy Clegg, CEO

Date: _____

ATTACHMENT 5
TELEPHONE NUMBER AND INTERNET ASSIGNMENT

THIS TELEPHONE NUMBER & INTERNET ASSIGNMENT AGREEMENT is made between Hurts Donut Company, LLC ("Franchisor," "we," "us," or "our") and the franchisee named below ("Franchisee," "you" or "your").

The parties are entering into one or more Franchise Agreements. For value received, Franchisee hereby irrevocably assigns to Franchisor all listings associated with the Hurts Donut franchise, including all telephone numbers, telephone listings, email addresses, domain names, social media accounts, Internet listings, websites, and comparable electronic identities used in connection with the Marks or the operation of the Franchise Business covered by the Agreement, whether now-existing or adopted by Franchisee in the future, (collectively "Listings").

As a condition to signing the Franchise Agreement(s), we have required that you assign all of your Listings relating to the Hurts Donut Franchise(s) to us upon the expiration or termination of any of the Franchise Agreements.

Franchisee agrees to update us as soon as possible of any listings adopted by Franchisee. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a

period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (**currently Missouri**). All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

FRANCHISEE:

By: _____

By: _____

FRANCHISOR:

Hurts Donut Company, LLC

By: _____
Timothy Clegg, CEO

Date: _____

ATTACHMENT 6
MULTI-TERRITORY ADDENDUM

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms of this Multi-Territory Addendum ("MTA") below control.

1. Territories. You are acquiring the following territories from us:

_____ ("First Territory")

_____ ("Second Territory")

_____ ("Third Territory")

_____ ("Fourth Territory")

_____ ("Fifth Territory")

2. Initial Franchise Fees: You shall pay to us \$90,000 for the rights to develop three territories, or \$125,000 for the rights to develop five territories. All Initial Franchise Fees are due upon execution of the Franchise Agreement and this Multi-Territory Addendum ("MTA").
3. Development Schedule. You agree that you shall sign a franchise agreement, have an approved site, and be open for business in each additional territory according to the following Development Schedule:

Territory Number	Date by Which You Must Have a Signed Franchise Agreement	Date by Which You Must Have an Approved Site Location	Date by Which You Must be Open for Business
1	N/A	Per Franchise Agreement	Per Franchise Agreement
2			
3			
4			
5			

4. Default and Termination. If you fail to meet or satisfy the timing in the above Development Schedule, we may give you written notice of the default and if such default is not cured within thirty (30) days after notice of the default, we may terminate your rights to develop any territories as to which you have breached the above Development Schedule.

You agree that for our consideration in allowing the Development Schedule set forth above, we may keep as non-refundable all initial franchise fees you may have paid to us at any time.

5. Execution of Franchise Agreement. You will execute our then-current form of franchise agreement for each territory identified in Paragraph 1 of this MTA, before taking steps to develop the outlet, which may contain different or additional terms than those set forth in any agreement signed concurrently with this MTA; however, you will not be required to pay any additional initial franchise fees or attend additional initial training programs.

Except to the extent modified above, the terms of the Franchise Agreement remain in full force and effect.

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

FRANCHISOR:

Hurts Donut Company, LLC

By: _____

Timothy Clegg, CEO

Date: _____

**ATTACHMENT 7
PROMISSORY NOTES**

**PROMISSORY NOTE- SOLE PROPRIETORSHIP, JOINT TENANTS,
TENANTS IN COMMON**

\$ _____

Date _____
Springfield, Missouri

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of HDC Financial LLC ["Holder"] at 2034 West Vista Street, Springfield, MO 65807 or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of twelve percent (12%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or

any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Missouri.

WITNESS the following signature(s) and seal(s):

Signature of Maker

Signature of Maker

Printed Name of Maker

Printed Name of Maker

Home Address:

Home Address:

PROMISSORY NOTE- ENTITY

\$ _____

Date _____
Springfield, Missouri

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of HDC Financial LLC ["Holder"] at 2034 West Vista Street, Springfield, MO 65807, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of twelve percent (12%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option

of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Missouri.

Maker: _____
(Enter Name of Entity Here)

By _____

Printed Name: _____

Title: _____

Guarantors:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Home Address:

Printed Name of Guarantor

Home Address:

ATTACHMENT 8 COMPLIANCE QUESTIONNAIRE

[Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- Yes___ No___ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes___ No___ 2. Do you understand all the information contained in the Franchise Agreement?
- Yes___ No___ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes___ No___ 4. Do you understand all the information contained in the Franchise Disclosure Document?
- Yes___ No___ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes___ No___ 6. Do you understand the risks of developing and operating this franchise?
- Yes___ No___ 7. Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?
- Yes___ No___ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors?
- Yes___ No___ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?

Yes___ No___ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes___ No___ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?

Yes___ No___ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

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

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.

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

[signature page follows]

Name of Applicant (please print)

Signature

Date: _____

Explanation of any negative responses (Refer to Question Number):

ATTACHMENT 9
STATE ADDENDA TO THE FRANCHISE AGREEMENT

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

FRANCHISOR:
Hurts Donut Company, LLC

By: _____

By: _____
Timothy Clegg, CEO

By: _____

Date: _____

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the Franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the Franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a Franchisee to assent to a general release.
- The Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

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.

FRANCHISEE:

By:_____

By:_____

FRANCHISOR:

Hurts Donut Company, LLC

By:_____

Timothy Clegg, CEO

Date:_____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

FRANCHISOR:

Hurts Donut Company, LLC

By: _____

By: _____
Timothy Clegg, CEO

By: _____

Date: _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, Franchise Agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR:

Hurts Donut Company, LLC

By: _____

By: _____
Timothy Clegg, CEO

By: _____

Date: _____

**EXHIBIT F
RELEASE**

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and Hurts Donut Company, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert
description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code §

23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

Releasor:

Releasee: Hurts Donut Company, LLC

By: _____

By: _____
Timothy Clegg, CEO

Printed Name: _____

Date: _____

Title: _____

EXHIBIT G
FINANCIAL STATEMENTS

~~The following statement applies to the unaudited portion of the financial statements which follows:~~

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

HURTS DONUT COMPANY, LLC

UNAUDITED

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

QUARTER ENDED MARCH 31, 2023

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ROBERTS, McKENZIE, MANGAN & CUMMINGS

A Professional Corporation

4035 S. Fremont

Springfield, Missouri 65804

(417) 883-5348 – (417) 883-8961 fax

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Members
Hurts Donut Company, LLC
Springfield, Missouri

Management is responsible for the accompanying financial statements of Hurts Donut Company, LLC (a limited liability corporation), which comprise the balance sheet as of March 31, 2023, and the related statements of income and members' equity for the quarter then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

RMMC, CPA's

Springfield, Missouri
May 31, 2023

HURTS DONUT COMPANY, LLC

BALANCE SHEET

MARCH 31, 2023

(Unaudited)

ASSETS

Current assets:		
Cash	\$	23,657
Accounts receivable		31,097
Inventory		28,210
Prepaid insurance		<u>13,970</u>
		96,934
Property and equipment, at cost:		
Furniture and fixtures	\$	52,920
Vehicles		172,755
Airplane		<u>34,000</u>
		259,675
Less accumulated depreciation		<u>(148,572)</u>
		111,103
Other asset:		
Due from related parties		<u>96,819</u>
	\$	<u><u>304,856</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	\$	14,897
Credit card payable		4,716
Payroll liabilities		1,887
Current portion of deferred revenue		<u>68,250</u>
		89,750
Other liability:		
Deferred revenue		314,500
Members' equity:		
Members' equity	\$	(90,689)
Distributions		(62,534)
Net income		<u>53,829</u>
		(99,394)
	\$	<u><u>304,856</u></u>

See Independent Accountants' Compilation Report.

HURTS DONUT COMPANY, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
QUARTER ENDING MARCH 31, 2023

(Unaudited)

	<u>Quarter</u>	<u>Current YTD</u>
Revenue:		
Franchise fees and royalty income	\$ 386,337	\$ 386,337
Rebate income	<u>114</u>	<u>114</u>
	<u>386,451</u>	<u>386,451</u>
Cost of goods sold:		
Arca representative expense	7,145	7,145
Digital media supplies	<u>910</u>	<u>910</u>
	<u>8,055</u>	<u>8,055</u>
Gross profit	378,396	378,396
Operating expenses	<u>323,676</u>	<u>323,676</u>
Income from operations	<u>54,720</u>	<u>54,720</u>
Other expense:		
Penalties	<u>(891)</u>	<u>(891)</u>
Net income	<u><u>\$ 53,829</u></u>	<u><u>\$ 53,829</u></u>

See Independent Accountants' Compilation Report.

SUPPLEMENTARY INFORMATION

HURTS DONUT COMPANY, LLC
SCHEDULES OF OPERATING EXPENSES
QUARTER ENDING MARCH 31, 2023

(Unaudited)

	Quarter	Current YTD
Payroll	\$ 154,638	\$ 154,638
Computer and internet	41,824	41,824
Insurance	26,685	26,685
Rent	20,796	20,796
Professional fees	19,409	19,409
Taxes	17,907	17,907
Travel	13,478	13,478
Utilities	6,121	6,121
Depreciation	6,097	6,097
Repairs and maintenance	3,545	3,545
Telephone	3,182	3,182
Supplies	2,255	2,255
Audit expense	2,041	2,041
Advertising	1,429	1,429
Postage and shipping	1,204	1,204
Bank fees	1,063	1,063
Dues and Subscriptions	587	587
Airplane	500	500
Interest expense	391	391
Automotive	324	324
Miscellaneous	200	200
	<u>\$ 323,676</u>	<u>\$ 323,676</u>

See Independent Accountants' Compilation Report.



FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Members
Hurts Donut Company, LLC
Springfield, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hurts Donut Company, LLC which comprise the balance sheets as of December 31, 2022, 2021 and 2020, and the related statements of income and members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hurts Donut Company, LLC as of December 31, 2022, 2021 and 2020 ~~and the results of its operations and its cash flows for the years then ended in accordance with~~ accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis evidence regarding the amounts and disclosures in the financial statements.
- ~~Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hurts Donut Company, LLC's internal control. Accordingly, no such opinion is expressed.~~
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hurts Donut Company, LLC's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RMMC, CPA's

Springfield, Missouri
March 3, 2023

BALANCE SHEETS

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HURTS DONUT COMPANY, LLC

BALANCE SHEETS

ASSETS

	December 31,		
	2022	2021	2020
Current assets:			
Cash	\$ 7,920	\$ 469,263	\$ 52,454
Accounts receivable	39,064	70,203	121,587
Dawn Food Products receivable	58,342	57,927	64,158
Miscellaneous receivable	4,943	-	3,511
Employee retention credit receivable	-	-	54,357
Inventory	28,210	40,110	63,366
Prepaid expense	20,955	-	-
	<u>159,434</u>	<u>637,503</u>	<u>359,433</u>
Property and equipment, at cost:			
Furniture and fixtures	52,919	23,129	39,649
Vehicles	172,756	172,756	172,756
Airplane	34,000	34,000	34,000
	<u>259,675</u>	<u>229,885</u>	<u>246,405</u>
Less accumulated depreciation	<u>(142,475)</u>	<u>(118,659)</u>	<u>(95,547)</u>
	<u>117,200</u>	<u>111,226</u>	<u>150,858</u>
Other assets:			
Due from related parties	91,911	91,223	90,590
Deposit	-	4,850	-
Trademark, net of amortization	-	-	4,250
	<u>91,911</u>	<u>96,073</u>	<u>94,840</u>
	<u>\$ 368,545</u>	<u>\$ 844,802</u>	<u>\$ 605,131</u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	December 31,		
	2022	2021	2020
Current liabilities:			
Accounts payable	\$ 25,486	\$ 910	\$ 10,434
Accrued payroll liabilities	22,749	30,893	32,782
Current portion deferred revenue	73,000	91,000	76,000
Current portion long-term debt	-	-	82,715
Current portion of capital lease payable	-	-	3,959
	<u>121,235</u>	<u>122,803</u>	<u>205,890</u>
Other liabilities:			
Deferred revenue	328,000	373,000	84,000
Due to members	10,000	-	-
Due to related parties	<u>-</u>	<u>6,938</u>	<u>6,938</u>
	<u>338,000</u>	<u>379,938</u>	<u>90,938</u>
Long-term debt:			
U.S. Bank SBA Payroll Protection loan	<u>-</u>	<u>-</u>	<u>60,410</u>
Members' equity (deficit)	<u>(90,690)</u>	<u>342,061</u>	<u>247,893</u>
	<u>\$ 368,545</u>	<u>\$ 844,802</u>	<u>\$ 605,131</u>

The accompanying notes are an integral part of these financial statements.

HURTS DONUT COMPANY, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)

	Year ended December 31,		
	2022	2021	2020
Revenue:			
Franchise fees and royalty income	\$ 1,282,862	\$ 1,379,295	\$ 1,324,524
Rebate income	243,253	269,448	238,106
Events	-	-	43,574
Training	-	-	42,538
Retail sales	92,402	83,102	60,958
	<u>1,618,517</u>	<u>1,731,845</u>	<u>1,709,700</u>
Cost of goods sold:			
Events	10,157	39,412	8,094
Restaurant supplies	29,302	892	12,154
	<u>39,459</u>	<u>40,304</u>	<u>20,248</u>
Gross profit	1,579,058	1,691,541	1,689,452
Operating expenses	<u>1,154,528</u>	<u>1,317,931</u>	<u>1,218,383</u>
Income from operations	<u>424,530</u>	<u>373,610</u>	<u>471,069</u>
Other income:			
Rental income	-	-	517
Interest expense	(67)	(284)	(809)
Loss on sale of property and equipment	-	(19,852)	(5,580)
Management fees	46,356	49,318	-
PPP loan forgiveness	-	143,125	-
Employee retention credits	1,586	52,449	54,357
Miscellaneous income	6,135	72,461	169,834
	<u>54,010</u>	<u>297,217</u>	<u>218,319</u>
Net income	478,540	670,827	689,388
Members' equity, beginning of year	342,061	247,893	326,339
Distributions	<u>(911,291)</u>	<u>(576,659)</u>	<u>(767,834)</u>
Members' equity (deficit), end of year	<u>\$ (90,690)</u>	<u>\$ 342,061</u>	<u>\$ 247,893</u>

The accompanying notes are an integral part of these financial statements

HURTS DONUT COMPANY, LLC

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	\$ 478,540	\$ 670,827	\$ 689,388
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	23,816	24,030	25,230
Amortization	-	-	333
PPP loan forgiveness	-	(143,125)	-
Loss on sale of property and equipment	-	19,852	5,580
(Increase) decrease in assets:			
Accounts receivable	31,139	51,384	(7,651)
Dawn Food Products receivable	(415)	6,231	5,238
Miscellaneous receivable	(4,943)	3,511	(3,511)
Inventory	11,900	23,256	(13,664)
Prepaid expense	(20,955)	-	-
Employee retention credit receivable	-	54,556	(54,556)
Deposit	-	(4,850)	-
Employee advances	-	-	105
Increase (decrease) in liabilities:			
Accounts payable	24,576	(9,523)	7,341
Deferred revenue	(63,000)	304,000	(81,000)
Accrued payroll liabilities	(8,144)	(1,889)	13,900
Net cash provided by operating activities	<u>472,514</u>	<u>998,060</u>	<u>586,933</u>
Cash flows from investing activities:			
Purchase of property and equipment	(24,940)	-	(16,521)
Change in due from related parties	<u>(688)</u>	<u>(633)</u>	<u>131,866</u>
Net cash provided by (used in) investing activities	<u>\$ (25,628)</u>	<u>\$ (633)</u>	<u>\$ 115,345</u>

HURTS DONUT COMPANY, LLC

STATEMENTS OF CASH FLOWS
(CONTINUED)

	Year ended December 31,		
	2022	2021	2020
Cash flows from financing activities:			
Repayments of capital lease	\$ -	\$ (3,959)	\$ (23,753)
Proceeds from PPP loan	-	-	143,125
Increase in due to related party	3,062	-	6,938
Distributions	(911,291)	(576,659)	(767,834)
Bank overdraft	-	-	(8,300)
Net cash used in financing activities	(908,229)	(580,618)	(649,824)
Net increase (decrease) in cash	(461,343)	416,809	52,454
Cash, beginning of year	469,263	52,454	-
Cash, end of year	<u>\$ 7,920</u>	<u>\$ 469,263</u>	<u>\$ 52,454</u>

The accompanying notes are an integral part of these financial statements.

HURTS DONUT COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Summary of significant accounting policies

Company's activities

Hurts Donut Company, LLC (the "Company"), a Missouri limited liability company, was formed on April 24, 2015 to develop and operate a franchise system for the Hurts Donut concept. At December 31, 2022, the Company has eighteen active franchises operating across the United States.

The original Hurts Donut store was opened in downtown Springfield, Missouri in 2013 and a second Springfield location was opened on the Southside in 2015 to serve as a model for franchising opportunities. Both the Southside and original downtown location are separate limited liability companies and are excluded from the accompanying financial statements. Both affiliated companies are related through common ownership. During the year ended December 31, 2022 and 2021, the Company received \$46,356 and \$49,318, respectively, in management fees related to administrative services for the southside and downtown locations.

Revenue recognition

In May of 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The Company adopted this standard effective December 31, 2019. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. Under the ASU, Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of \$35,000 and continuing fees based upon 7 percent of gross weekly sales. The initial term of the franchise agreements is five years. Prior to the end of the franchise term or as otherwise provided by the Company, a franchisee may elect to renew the terms of a franchise agreement. Direct costs of sales and servicing of franchise and license agreements are charged to general and administrative expenses as incurred.

The franchise license granted for each individual store represents a single performance obligation. Therefore, the initial franchise fees are recognized over the term of the

1. Summary of significant accounting policies (continued)

respective franchise agreement. Royalty income is recognized each period as the underlying sales occur. Renewal fees, if any, are recognized over the renewal term for the store from the start of the renewal period. Fees received or receivable that are expected to be recognized as revenue within one year are classified as current deferred revenue in the accompanying balance sheets.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, systems implementation, and design of a quality control program. The Company recognizes these fees as revenue when substantially all initial services required by the franchise or license agreement are performed, which is generally upon opening of a store.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires entities that lease assets – referred to as “lessees” – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike current U.S. GAAP – which requires only finance leases to be recognized on the balance sheet – the new ASU will require both types of leases to be recognized on the balance sheet. This ASU is effective for periods beginning after December 15, 2021.

Concentration of credit risk

The Company grants credit to customers who meet the Company's pre-established credit requirements. Generally, the Company does not require security when trade credit is granted to customers. Credit losses are provided for in the Company's financial statements. The carrying value of the Company's financial instruments, including cash, accounts receivable, accounts payable, long-term debt, and capital lease payable as reported in the accompanying balance sheets, approximates fair value.

Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of aging and collectibility. Accounts receivable 90 or more days old totaled \$12,855 at December 31, 2022. Credit losses, when realized, have been within the range of the Company's expectations and, historically, have not been significant. Accordingly, no allowance for doubtful accounts has been established.

Property and equipment

Property and equipment are carried at cost. Depreciation is provided using the straight-line and accelerated methods over the lives specified by the Internal Revenue Code.

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was \$23,816, \$24,030 and \$25,230, respectively.

1. Summary of significant accounting policies (continued)

Cash deposits

Cash deposits in financial institutions exceed federally insured limits at various times during the year in the course of normal operations. Reliance is placed on the stability of the financial institutions utilized by the Company when depositing and maintaining account balances above the \$250,000 federally insured limits.

Income taxes

The Company has elected to be treated as a small business corporation under Subchapter S of the Internal Revenue Code, whereby profits and losses are passed directly to the shareholders for inclusion in their personal tax returns. Accordingly, no liability or provision for federal income taxes is included in the accompanying statements. Management has not determined the amount of provision for federal income taxes that would have been reflected had such an election not been in effect.

Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates. Actual results may vary from these estimates.

Advertising

The Company recognizes expenses for advertising as the costs are incurred. Advertising costs included in the accompanying financial statements at December 31, 2022, 2021 and 2020 are \$15,653, \$19,222 and \$15,987, respectively.

Inventory

Inventory which consists of purchased merchandise, is recorded at the lower of cost and net realizable value, where cost is determined using the first-in, first-out method.

Leasing Arrangements

The Company leases office space, warehouse, and storage space. The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for the leases on a straight-line basis over the lease term.

2. Compensated absences

Employees of the Company are entitled to paid vacation, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

3. Facility leases

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets and early adopted the practical expedient to the ASU 842 lease standard regarding common control arrangements. The following leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that are reasonably certain to exercise, are not recorded on the balance sheets.

The Company entered into an operating lease with HDC Nixa Holdings, LLC (a company related through common ownership) for a storage building. The lease is on a month-to-month basis. During the years ended December 31, 2022, 2021 and 2020, rent expense amounted to \$17,176, \$17,183 and \$15,751, respectively.

In addition, the Company had entered into operating leases with unrelated parties for the corporate office and warehouse. These leases expired by December 31, 2020. Effective November 1, 2020, the Company entered into a new operating lease agreement with HDC Vista Holdings, LLC (a company related through common ownership) to lease new corporate office and warehouse space. The lease is a twelve month lease and the monthly rent amount is \$5,500. For the years ended December 31, 2022, 2021 and 2020, rent expense was \$63,046, \$66,000 and \$74,917, respectively.

4. Due from related parties

Due from related parties consisted of the following:

	December 31,		
	2022	2021	2020
Advances to HDC Nixa Holdings LLC (a company related through common ownership). Advances are unsecured and bear no interest.	\$ 12,967	\$ 12,967	\$ 12,967
Advances to Hole Foods LLC (a company related through common ownership). Advances are unsecured and bear no interest.	14,453	14,453	14,453
Advances to T & C Ventures, LLC (a company related through common ownership). Advances are unsecured and bear no interest.	372	-	-
Advances to Here's Your Sign LLC (a company related through common ownership). Advances are unsecured and bear no interest.	64,119	63,803	63,170
	<u>\$ 91,911</u>	<u>\$ 91,223</u>	<u>\$ 90,590</u>

5. Due to related parties

At December 31, 2022, 2021 and 2020, the Company had \$-0-, \$6,938 and \$6,938, respectively, due to T & C Ventures, LLC (a company related through common ownership). The amount was unsecured and bears no interest.

6. Legal proceedings

The Company is involved in certain litigation in the normal course of its business. The final resolution of any ongoing litigation, in the opinion of management, will not have a material adverse effect on the financial position of the Company.

7. Income taxes

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), effective January 1, 2009. Under the interpretation, the Company would record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination and the amount can be reasonably estimated. The Company continually evaluates expiring statutes of limitations, changes in tax law and new authoritative rulings in determining if there are unreasonable tax positions subject to the provisions of FASB Interpretation No. 48. At December 31, 2022, the Company has determined that there were no unreasonable tax positions whereby a liability would need to be recorded.

The federal and state income tax returns of the Company for 2022, 2021, and 2020 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

8. U.S. Bank SBA Payroll Protection Loan

On May 1, 2020, the Company received loan proceeds from U.S. Bank in the amount of \$143,125, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020, provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll. The PPP loan proceeds were in the form of a note payable, originally maturing May 1, 2022, bearing interest at 1%. The note could be prepaid with no prepayment penalties and was guaranteed by the Small Business Administration (SBA).

The loan and accrued interest were forgivable as long as the Company used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. During December 31, 2021, the PPP loan was forgiven in full.

9. Franchising

Franchise fees and royalty income consists of the following:

	December 31,		
	2022	2021	2020
Royalty income	\$1,184,862	\$1,285,903	\$1,208,524
Franchise fees	98,000	93,392	116,000
	<u>\$1,282,862</u>	<u>\$1,379,295</u>	<u>\$1,324,524</u>

In addition, the Company has entered into an agreement with Dawn Food Products whereby the Company receives a 5% rebate of all food purchases made by the various franchises. Total rebates received in 2022, 2021 and 2020 were \$243,253, \$269,448 and \$238,106, respectively.

9. Franchising (continued)

The Company recognizes franchise fees over the term of the franchise agreements. Deferred revenue in the accompanying balance sheets is the amount of franchise fees paid that will be recognized over the future term of the franchise agreement as follows:

Years ending
December 31,

2023	\$ 73,000
2024	54,000
2025	47,000
2026	47,000
2027	40,000
Thereafter	<u>140,000</u>
	<u>\$ 401,000</u>

The Company may also sell area representative agreements that grant the master franchise the right to develop and operate, and in some instances sub-franchise, a certain number of locations within a particular geographic area. The master franchisee is typically required to pay an upfront market entry fee upon entering into the master franchise agreement and an upfront initial franchise fee for each developed location prior to each respective opening. The master franchisee will also pay continuing fees or royalty income, generally on a monthly basis based upon a percentage of sales. Generally, the master franchise agreement serves as the franchise agreement for the underlying restaurants. During the year ended December 31, 2021, the Company sold an
area representative agreement for the Dallas, Texas market for \$400,000.

10. Capital lease

During the year ended December 31, 2018, the Company entered into a lease for the acquisition of a Mercedes van totaling \$71,260. The lease was paid off during the year ended December 31, 2021.

11. COVID-19

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Company and financial results will depend on future developments, including the duration and spread of the outbreak within the state and related impact on the economy which could impact grant awards, contributions, and other revenues, all of which are highly uncertain.

11. COVID-19 (continued)

On March 27, 2020, the Federal CARES Act (established the Coronavirus Relief Fund (the "Fund") was signed by President Trump and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified Coronavirus public health-related uses to States and certain local governments; the District of Columbia and U.S. Territories; and Tribal governments. As disclosed in Note 8, the Company received an SBA PPP loan through funds provided by the CARES Act.

We considered the impact of the COVID-19 pandemic on the Company and determined that there were no material adverse impacts on the financial statements for the year ended December 31, 2022.

12. Employee retention credit

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds.

The CARES Act did not allow business that received Paycheck Protection Program (PPP) loans to also claim the ERC, but the Consolidated Appropriations Act, 2021, P.L. 116-260, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERC. The America Rescue Plan Act, P.L. 117-2, provided that the ERC would go through December 31, 2021; however, the ERC was terminated a quarter early by the enactment of the Infrastructure Investment and Jobs Act, P.L. 117-58, at the end of the third calendar quarter of 2021 (for entities other than recovery startup businesses under Sec. 3134(c)(2)).

During the years ended December 31, 2022, 2021 and 2020 the Company received \$1,586, \$52,449 and \$54,357 in employee retention credits.

13. Subsequent events

The Company has evaluated subsequent events through March 3, 2023, the date which the financial statements were available to be issued. There were no significant events noted that did not exist at the date of the balance sheets but arose subsequent to that date.

SUPPLEMENTARY INFORMATION

HURTS DONUT COMPANY, LLC
SCHEDULES OF OPERATING EXPENSES

	Year ended December 31,		
	2022	2021	2020
Payroll	\$ 705,246	\$ 756,698	\$ 701,547
Rent	80,222	83,183	90,668
Employee benefits	48,302	63,596	33,204
Travel	47,205	41,735	32,653
Professional fees	46,260	80,200	51,840
Computer and internet	30,133	48,918	31,880
Insurance	24,705	31,059	29,225
Depreciation expense	23,816	24,030	25,230
Bad debt	21,301	11,085	20,625
Taxes and licenses	20,604	16,899	9,080
Utilities	19,241	19,745	21,742
Supplies	17,390	15,890	11,711
Repairs and maintenance	16,050	39,180	23,223
Advertising	15,653	19,222	15,987
Telephone	11,026	11,484	16,723
Airplane	10,186	5,315	6,263
Dues and subscriptions	7,105	4,111	7,428
Credit card fees	4,111	3,426	3,394
Charitable contributions	2,874	30,308	54,215
Auto expense	2,483	3,016	4,614
Ambulance	449	783	3,792
Research and development	-	115	4,879
Amortization	-	-	333
Small tools	-	2,404	4,659
Miscellaneous expense	166	5,529	13,468
	<u>\$ 1,154,528</u>	<u>\$ 1,317,931</u>	<u>\$ 1,218,383</u>

The accompanying notes are an integral part of these financial statements.

|

HURTS DONUT COMPANY, LLC

UNAUDITED

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

TWO MONTHS ENDED FEBRUARY 29, 2024

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ROBERTS, McKENZIE, MANGAN & CUMMINGS

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Members
Hurts Donut Company, LLC
Springfield, Missouri

Management is responsible for the accompanying financial statements of Hurts Donut Company, LLC (a limited liability corporation), which comprise the balance sheet as of February 29, 2024, and the related statement of income and members' equity for the two months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

RMMC, CPA's

Springfield, Missouri
May 6, 2024

HURTS DONUT COMPANY, LLC

BALANCE SHEET

FEBRUARY 29, 2024

(Unaudited)

ASSETS

Current assets:		
Cash		\$ 95,641
Accounts receivable		64,640
Dawn Food Products receivable		46,402
Inventory		<u>71,025</u>
		277,708
Property and equipment, at cost:		
Furniture and fixtures	\$ 49,379	
Vehicles	97,257	
Airplane	<u>34,000</u>	
	180,636	
Less accumulated depreciation	<u>(124,474)</u>	56,162
Other asset:		
Due from related parties		<u>99,239</u>
		<u>\$ 433,109</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	\$ 12,007	
Payroll liabilities	174	
Current portion of deferred revenue	<u>56,667</u>	
	68,848	
Other liability:		
Deferred revenue		323,000
Members' equity:		
Members' equity	\$ 24,141	
Distributions	(135,000)	
Net income	<u>152,120</u>	<u>41,261</u>
		<u>\$ 433,109</u>

See Independent Accountants' Compilation Report.

HURTS DONUT COMPANY, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY

TWO MONTHS ENDING FEBRUARY 29, 2024

(Unaudited)

Revenue:	
Franchise fees and royalty income	\$ 260,249
Rebate income	<u>49,448</u>
	<u>309,697</u>
Cost of goods sold:	
Area representative expense	4,698
Restaurant supplies	<u>244</u>
	<u>4,942</u>
Gross profit	304,755
Operating expenses	<u>179,599</u>
Income from operations	<u>125,156</u>
Other income (expense):	
Management fees	7,800
Gain on sale of property and equipment	17,300
Miscellaneous income	<u>1,864</u>
	<u>26,964</u>
Net income	<u>\$ 152,120</u>

See Independent Accountants' Compilation Report.

SUPPLEMENTARY INFORMATION

HURTS DONUT COMPANY, LLC
SCHEDULES OF OPERATING EXPENSES
TWO MONTHS ENDING FEBRUARY 29, 2024
(Unaudited)

Payroll	\$ 117,583
Insurance	14,536
Travel	9,529
Computer and internet	9,207
Rent	7,957
Professional fees	6,036
Utilities	3,650
Depreciation	2,911
Telephone	2,152
Office supplies	1,341
Bank fees	1,307
Airplane	1,275
Repairs and maintenance	870
Charitable contributions	517
Audit expense	320
Advertising	163
Automotive	159
Dues and Subscriptions	86
	<u>\$ 179,599</u>

See Independent Accountants' Compilation Report.



FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Members
Hurts Donut Company, LLC
Springfield, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hurts Donut Company, LLC which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hurts Donut Company, LLC as of December 31, 2023, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hurts Donut Company, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hurts Donut Company, LLC's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

R/M/C, CPA's

Springfield, Missouri
March 21, 2024

BALANCE SHEETS

HURTS DONUT COMPANY, LLC

BALANCE SHEETS

ASSETS

	December 31,		
	2023	2022	2021
Current assets:			
Cash	\$ 38,590	\$ 7,920	\$ 469,263
Accounts receivable	58,951	39,064	70,203
Dawn Food Products receivable	65,469	58,342	57,927
Miscellaneous receivable	-	4,943	-
Inventory	71,025	28,210	40,110
Prepaid expense	-	20,955	-
	<u>234,035</u>	<u>159,434</u>	<u>637,503</u>
Property and equipment, at cost:			
Furniture and fixtures	47,333	52,919	23,129
Vehicles	172,756	172,756	172,756
Airplane	34,000	34,000	34,000
	<u>254,089</u>	<u>259,675</u>	<u>229,885</u>
Less accumulated depreciation	<u>(166,863)</u>	<u>(142,475)</u>	<u>(118,659)</u>
	<u>87,226</u>	<u>117,200</u>	<u>111,226</u>
Other assets:			
Due from related parties	98,319	91,911	91,223
Deposit	-	-	4,850
	<u>98,319</u>	<u>91,911</u>	<u>96,073</u>
	<u>\$ 419,580</u>	<u>\$ 368,545</u>	<u>\$ 844,802</u>

LIABILITIES AND MEMBERS' EQUITY

	December 31,		
	2023	2022	2021
Current liabilities:			
Accounts payable	\$ 14,614	\$ 25,486	\$ 910
Accrued payroll liabilities	24,825	22,749	30,893
Current portion deferred revenue	61,000	73,000	91,000
	<u>100,439</u>	<u>121,235</u>	<u>122,803</u>
Other liabilities:			
Deferred revenue	295,000	328,000	373,000
Due to members	-	10,000	-
Due to related parties	-	-	6,938
	<u>295,000</u>	<u>338,000</u>	<u>379,938</u>
Members' equity	<u>24,141</u>	<u>(90,690)</u>	<u>342,061</u>
	<u>\$ 419,580</u>	<u>\$ 368,545</u>	<u>\$ 844,802</u>

The accompanying notes are an integral part of these financial statements.

HURTS DONUT COMPANY, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY

	Year ended December 31,		
	2023	2022	2021
Revenue:			
Franchise fees and royalty income	\$ 1,279,598	\$ 1,367,292	\$ 1,401,878
Rebate income	243,722	243,253	269,448
Retail sales	9,145	7,972	60,519
	<u>1,532,465</u>	<u>1,618,517</u>	<u>1,731,845</u>
Cost of goods sold:			
Events	276	10,157	39,412
Restaurant supplies	18,966	29,302	892
	<u>19,242</u>	<u>39,459</u>	<u>40,304</u>
Gross profit	1,513,223	1,579,058	1,691,541
Operating expenses	<u>1,206,137</u>	<u>1,154,528</u>	<u>1,317,931</u>
Income from operations	<u>307,086</u>	<u>424,530</u>	<u>373,610</u>
Other income:			
Penalties	(891)	-	-
Interest expense	(760)	(67)	(284)
Gain (loss) on sale of property and equipment	3,413	-	(19,852)
Management fees	48,150	46,356	49,318
PPP loan forgiveness	-	-	143,125
Employee retention credits	-	1,586	52,449
Miscellaneous income	57,167	6,135	72,461
	<u>107,079</u>	<u>54,010</u>	<u>297,217</u>
Net income	414,165	478,540	670,827
Members' equity, beginning of year	(90,690)	342,061	247,893
Distributions	<u>(299,334)</u>	<u>(911,291)</u>	<u>(576,659)</u>
Members' equity, end of year	<u>\$ 24,141</u>	<u>\$ (90,690)</u>	<u>\$ 342,061</u>

The accompanying notes are an integral part of these financial statements

HURTS DONUT COMPANY, LLC

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 414,165	\$ 478,540	\$ 670,827
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	24,387	23,816	24,030
PPP loan forgiveness	-	-	(143,125)
Gain (loss) on sale of property and equipment	(3,413)	-	19,852
(Increase) decrease in assets:			
Accounts receivable	(19,887)	31,139	51,384
Dawn Food Products receivable	(7,127)	(415)	6,231
Miscellaneous receivable	4,943	(4,943)	3,511
Inventory	(42,815)	11,900	23,256
Prepaid expense	20,955	(20,955)	-
Employee retention credit receivable	-	-	54,356
Deposit	-	-	(4,850)
Increase (decrease) in liabilities:			
Accounts payable	(10,872)	24,576	(9,523)
Deferred revenue	(45,000)	(63,000)	304,000
Accrued payroll liabilities	2,076	(8,144)	(1,889)
Net cash provided by operating activities	<u>337,412</u>	<u>472,514</u>	<u>998,060</u>
Cash flows from investing activities:			
Purchase of property and equipment	-	(24,940)	-
Proceeds from sale of property and equipment	9,000	-	-
Change in due from related parties	(6,408)	(688)	(633)
Net cash provided by (used in) investing activities	<u>\$ 2,592</u>	<u>\$ (25,628)</u>	<u>\$ (633)</u>

HURTS DONUT COMPANY, LLC

STATEMENTS OF CASH FLOWS
(CONTINUED)

	Year ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Repayments of capital lease	\$ -	\$ -	\$ (3,959)
Change in due to related party	(10,000)	3,062	-
Distributions	(299,334)	(911,291)	(576,659)
Net cash used in financing activities	(309,334)	(908,229)	(580,618)
Net increase (decrease) in cash	30,670	(461,343)	416,809
Cash, beginning of year	7,920	469,263	52,454
Cash, end of year	<u>\$ 38,590</u>	<u>\$ 7,920</u>	<u>\$ 469,263</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 760</u>	<u>\$ 67</u>	<u>\$ 284</u>

The accompanying notes are an integral part of these financial statements.

HURTS DONUT COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of significant accounting policies

Company's activities

Hurts Donut Company, LLC (the "Company"), a Missouri limited liability company, was formed on April 24, 2015 to develop and operate a franchise system for the Hurts Donut concept. At December 31, 2023, the Company has eighteen active franchises operating across the United States.

The original Hurts Donut store was opened in Springfield, Missouri in 2013 and a second Springfield location was opened on the Southside in 2015 to serve as a model for franchising opportunities. Both the Southside and original location are separate limited liability companies and are excluded from the accompanying financial statements. Both affiliated companies are related through common ownership. During the years ended December 31, 2023, 2022 and 2021, the Company received \$48,150, \$46,356 and \$49,318, respectively, in management fees related to administrative services for the Southside and downtown locations. During 2023, the Southside location closed.

Revenue recognition

In May of 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The Company adopted this standard effective December 31, 2019. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. Under the ASU, Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee of \$35,000 and continuing fees based upon 7 percent of gross weekly sales. The initial term of the franchise agreements is five years. Prior to the end of the franchise term or as otherwise provided by the Company, a franchisee may elect to renew the terms of a franchise agreement. Direct costs of sales and servicing of franchise and license agreements are charged to general and administrative expenses as incurred.

The franchise license granted for each individual store represents a single performance obligation. Therefore, the initial franchise fees are recognized over the term of the respective franchise agreement. Royalty income is recognized each period as the underlying sales occur. Renewal fees, if any, are recognized over the renewal term for the store from the start of the renewal period. Fees received or receivable that are

1. Summary of significant accounting policies (continued)

expected to be recognized as revenue within one year are classified as current deferred revenue in the accompanying balance sheets.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, systems implementation, and design of a quality control program. The Company recognizes these fees as revenue when substantially all initial services required by the franchise or license agreement are performed, which is generally upon opening of a store.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires entities that lease assets – referred to as “lessees” – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. Consistent with prior U.S. GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior U.S. GAAP – which required only finance leases to be recognized on the balance sheet – the new ASU requires both types of leases to be recognized on the balance sheet. This ASU is effective for periods beginning after December 15, 2021.

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 is effective for periods beginning after December 15, 2022. Subsequent to the issuance of ASU 2016-13, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* (“ASU 2018-19”) in November 2018, ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* (“ASU 2019-04”), in April 2019, and ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326) Targeted Transition Relief* (“ASU 2019-05”) in May 2019. These ASUs do not change the core principle of the guidance in ASU 2016-13. Instead these amendments are intended to clarify and improve operability of certain topics included within the credit losses standard. The adoption did not have a material impact on the financial statements and disclosures.

Concentration of credit risk

The Company grants credit to customers who meet the Company’s pre-established credit requirements. Generally, the Company does not require security when trade credit is granted to customers. Credit losses are provided for in the Company’s financial statements. The carrying value of the Company’s financial instruments, including cash, accounts receivable, Dawn Food Products receivable, and accounts payable as reported in the accompanying balance sheets, approximates fair value.

1. Summary of significant accounting policies (continued)

The Company places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivable are limited due to the large number of customers comprising the Company's franchise base and their dispersion across different geographic areas. As of December 31, 2023, the Company had no significant concentrations of credit risk.

The Company estimates the allowance for credit loss based on an analysis of accounts receivable more than 90 days past due. Accounts receivable over 90 days old at December 31, 2023 amounted to \$15,081. The Company considers accounts receivable to be fully collectible. The Company believes this historical loss experience is consistent with what will be experienced for accounts receivable held at the reporting date. Credit losses, when realized, have been within the range of the Company's expectations and, historically, have not been significant. Accordingly, the allowance for credit losses at December 31, 2023 is \$-0-.

Property and equipment

Property and equipment are carried at cost. Depreciation is provided using the straight-line and accelerated methods over the lives specified by the Internal Revenue Code.

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Depreciation expense for the years ended December 31, 2023, 2022 and 2021 was \$24,387, \$23,816 and \$24,030, respectively.

Cash deposits

Cash deposits in financial institutions exceed federally insured limits at various times during the year in the course of normal operations. Reliance is placed on the stability of the financial institutions utilized by the Company when depositing and maintaining account balances above the \$250,000 federally insured limits.

Income taxes

The Company has elected to be treated as a small business corporation under Subchapter S of the Internal Revenue Code, whereby profits and losses are passed directly to the shareholders for inclusion in their personal tax returns. Accordingly, no liability or provision for federal income taxes is included in the accompanying statements. Management has not determined the amount of provision for federal income taxes that would have been reflected had such an election not been in effect.

Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates. Actual results may vary from these estimates.

1. Summary of significant accounting policies (continued)

Advertising

The Company recognizes expenses for advertising as the costs are incurred. Advertising costs included in the accompanying financial statements at December 31, 2023, 2022 and 2021 are \$20,791, \$15,653 and \$19,222, respectively.

Inventory

Inventory which consists of marketing merchandise available for sale, is recorded at the lower of cost and net realizable value, where cost is determined using the first-in, first-out method.

Leasing Arrangements

The Company leases office space, warehouse, and storage space. The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for the leases on a straight-line basis over the lease term.

2. Compensated absences

Employees of the Company are entitled to paid vacation, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

3. Facility leases

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets and early adopted the practical expedient to the ASU 842 lease standard regarding common control arrangements. The following leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that are reasonably certain to exercise, are not recorded on the balance sheets.

In addition, the Company has elected to apply the accounting alternative provided to private companies in FASB ASC 810 for certain entities under common control. As a result, the Company has not evaluated the following entities under common control in accordance with the guidance in the variable interest entities subsection of FASB ASC 810.

The Company entered into an operating lease with HDC Nixa Holdings, LLC (a company related through common ownership) for a storage building. The lease is on a month-to-month basis. During the years ended December 31, 2023, 2022 and 2021, rent expense amounted to \$17,583, \$17,176 and \$17,183, respectively.

3. Facility leases (continued)

Effective November 1, 2020, the Company entered into an operating lease agreement with HDC Vista Holdings, LLC (a company related through common ownership) to lease new corporate office and warehouse space. The lease is a twelve month lease with one renewal period expiring December 1, 2024. For the years ended December 31, 2023, 2022 and 2021, rent expense was \$48,278, \$63,046 and \$66,000, respectively.

4. Due from related parties

Due from related parties consisted of the following:

	December 31,		
	2023	2022	2021
Advances to HDC Nixa Holdings LLC (a company related through common ownership). Advances are unsecured and bear no interest.	\$ 12,967	\$ 12,967	\$ 12,967
Advances to Hole Foods LLC (a company related through common ownership). Advances are unsecured and bear no interest.	15,953	14,453	14,453
Advances to T & C Ventures, LLC (a company related through common ownership). Advances are unsecured and bear no interest.	372	372	-
Advances to Here's Your Sign LLC (a company related through common ownership). Advances are unsecured and bear no interest.	69,027	64,119	63,803
	<u>\$ 98,319</u>	<u>\$ 91,911</u>	<u>\$ 91,223</u>

5. Due to related parties

At December 31, 2023, 2022 and 2021, the Company had \$-0-, \$-0- and \$6,938, respectively, due to T & C Ventures, LLC (a company related through common ownership). The amount was unsecured and bears no interest.

6. Legal proceedings

The Company is involved in certain litigation in the normal course of its business. The final resolution of any ongoing litigation, in the opinion of management, will not have a material adverse effect on the financial position of the Company.

7. Income taxes

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), effective January 1, 2009. Under the interpretation, the Company would record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination and the amount can be reasonably estimated. The Company continually evaluates expiring statutes of limitations, changes in tax law and new authoritative rulings in determining if there are unreasonable tax positions subject to the provisions of FASB Interpretation No. 48. At December 31, 2023, the Company has determined that there were no unreasonable tax positions whereby a liability would need to be recorded.

The federal and state income tax returns of the Company for 2023, 2022, and 2021 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

8. U.S. Bank SBA Payroll Protection Loan

On May 1, 2020, the Company received loan proceeds from U.S. Bank in the amount of \$143,125, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020, provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll. The PPP loan proceeds were in the form of a note payable, originally maturing May 1, 2022, bearing interest at 1%. The note could be prepaid with no prepayment penalties and was guaranteed by the Small Business Administration (SBA).

The loan and accrued interest were forgivable as long as the Company used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. During December 31, 2021, the PPP loan was forgiven in full.

9. Franchising

Franchise fees and royalty income consists of the following:

	December 31,		
	2023	2022	2021
Royalty income	\$1,199,598	\$1,269,292	\$1,308,486
Franchise fees	80,000	98,000	93,392
	<u>\$1,279,598</u>	<u>\$1,367,292</u>	<u>\$1,401,878</u>

In addition, the Company has entered into an agreement with Dawn Food Products whereby the Company receives a 5% rebate of all food purchases made by the various franchises. Total rebates received in 2023, 2022 and 2021 were \$243,722, \$243,253 and \$269,448, respectively.

9. Franchising (continued)

The Company recognizes franchise fees over the term of the franchise agreements. Deferred revenue in the accompanying balance sheets is the amount of franchise fees paid that will be recognized over the future term of the franchise agreement as follows:

Years ending December 31,	
2024	\$ 61,000
2025	54,000
2026	54,000
2027	47,000
2028	40,000
Thereafter	<u>100,000</u>
	<u>\$ 356,000</u>

The Company may also sell area representative agreements that grant the master franchise the right to develop and operate, and in some instances sub-franchise, a certain number of locations within a particular geographic area. The master franchisee is typically required to pay an upfront market entry fee upon entering into the master franchise agreement and an upfront initial franchise fee for each developed location prior to each respective opening. The master franchisee will also pay continuing fees or royalty income, generally on a monthly basis based upon a percentage of sales. Generally, the master franchise agreement serves as the franchise agreement for the underlying restaurants. During the year ended December 31, 2021, the Company sold an area representative agreement for the Dallas, Texas market for \$400,000.

10. Capital lease

During the year ended December 31, 2018, the Company entered into a lease for the acquisition of a Mercedes van totaling \$71,260. The lease was paid off during the year ended December 31, 2021.

11. COVID-19

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

On March 27, 2020, the Federal CARES Act (established the Coronavirus Relief Fund (the "Fund") was signed by President Trump and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified Coronavirus public health-related uses to States and certain local governments; the District of Columbia and U.S. Territories; and Tribal governments. As disclosed in Note 8, the Company received an SBA PPP loan through funds provided by the CARES Act.

11. COVID-19 (continued)

We considered the impact of the COVID-19 pandemic on the Company and determined that there were no material adverse impacts on the financial statements for the year ended December 31, 2023.

12. Employee retention credit

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds.

The CARES Act did not allow business that received Paycheck Protection Program (PPP) loans to also claim the ERC, but the Consolidated Appropriations Act, 2021, P.L. 116-260, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERC. The America Rescue Plan Act, P.L. 117-2, provided that the ERC would go through December 31, 2021; however, the ERC was terminated a quarter early by the enactment of the Infrastructure Investment and Jobs Act, P.L. 117-58, at the end of the third calendar quarter of 2021 (for entities other than recovery startup businesses under Sec. 3134(c)(2)).

During the years ended December 31, 2023, 2022 and 2021 the Company received \$-0-, \$1,586 and \$52,449 in employee retention credits.

13. Reclassifications

Certain reclassifications have been made to the December 31, 2022 and 2021 financial statement presentation to correspond to the current years format. Members' equity and net income are unchanged due to these reclassifications.

14. Subsequent events

The Company has evaluated subsequent events through March 21, 2024, the date which the financial statements were available to be issued. There were no significant events noted that did not exist at the date of the balance sheets but arose subsequent to that date.

SUPPLEMENTARY INFORMATION

HURTS DONUT COMPANY, LLC
SCHEDULES OF OPERATING EXPENSES

	Year ended December 31,		
	2023	2022	2021
Payroll	\$ 688,226	\$ 705,246	\$ 756,698
Computer and internet	76,194	30,133	48,918
Rent	65,861	80,222	83,183
Employee benefits	60,125	48,302	63,596
Professional fees	50,893	46,260	80,200
Bad debt	41,690	21,301	11,085
Insurance	38,612	24,705	31,059
Travel	38,288	47,205	41,735
Depreciation expense	24,387	23,816	24,030
Advertising	20,791	15,653	19,222
Utilities	19,394	19,241	19,745
Taxes and licenses	18,427	20,604	16,899
Telephone	15,643	11,026	11,484
Repairs and maintenance	11,878	16,050	39,180
Supplies	9,537	17,390	15,890
Ambulance	8,022	449	783
Credit card fees	5,611	4,111	3,426
Dues and subscriptions	5,399	7,105	4,111
Airplane	4,125	10,186	5,315
Auto expense	1,836	2,483	3,016
Small tools	1,016	-	2,404
Charitable contributions	-	2,874	30,308
Research and development	-	-	115
Miscellaneous expense	182	166	5,529
	<u>\$ 1,206,137</u>	<u>\$ 1,154,528</u>	<u>\$ 1,317,931</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT H

LIST OF AREA REPRESENTATIVES

AS OF DECEMBER 31, ~~2022~~2023

The following is a list of the names of all current Area Representatives and the address and telephone number of each of their outlets.

Dallas Fort Worth Market area
Keith & Lisa Selby
469-247-2240
7705 Ivey
The Colony, TX 75056

EXHIBIT I

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. Item 5 is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you, and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the Franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the Area Representative's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a Franchisee to assent to a general release.
- The Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

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.

WISCONSIN ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the Franchise Agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT J
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
Illinois	October 2, 2023 <u>Pending</u>
Michigan	November 4, 2023
Minnesota	July 24, 2023 <u>Pending</u>
South Dakota	July 5, 2023 <u>Pending</u>
Wisconsin	June 29, 2023 <u>May 17, 2024</u>

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

EXHIBIT K
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hurts Donut Company, LLC d/b/a The Hurts Donut offers you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement or make a payment to us in connection with the proposed franchise sale or grant.

Rhode Island requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meetings or 10 business days before the execution of the Franchise or other Agreement or payment of any consideration that relates to the Franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Hurts Donut Company, LLC d/b/a The Hurts Donut located at 2034 West Vista Street, Springfield, MO 65807. Its telephone number is (417) 368-0279

Issuance date: ~~June 9, 2023~~ May 7, 2024.

The franchise seller for this offering is:

X	Timothy Clegg, 2034 West Vista Street, Springfield, MO 65807; (704) 724-5549.
	_____;

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I have received a disclosure document dated ~~June 9, 2023~~May 7, 2024, that included the following Exhibits:

- A: State Administrators and Agents for Service of Process
- B: List of Franchisees
- C: Former Franchisees
- D: Table of Contents to Operations Manual
- E: Franchise Agreement
 - Attachment 1: Territory
 - Attachment 2: Automatic Bank Draft Authorization
 - Attachment 3: Nondisclosure and Non-Competition Agreement
 - Attachment 4: Lease Rider Agreement
 - Attachment 5: Telephone Number and Internet Assignment Agreement
 - Attachment 6: Multi-Territory Addendum
 - Attachment 7: Promissory Notes
 - Attachment 8: Compliance Questionnaire
 - Attachment 9: State Addenda to the Franchise Agreement
- F: Release
- G: Financial Statements
- H: List of Area Representatives
- I: State Addenda to the Disclosure Document
- J: State Effective Dates
- K: Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please date, sign, and retain this copy for your records.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hurts Donut Company, LLC d/b/a The Hurts Donut offers you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement or make a payment to us in connection with the proposed franchise sale or grant.

Rhode Island requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meetings or 10 business days before the execution of the Franchise or other Agreement or payment of any consideration that relates to the Franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

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- I: State Addenda to the Disclosure Document
- J: State Effective Dates
- K: Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please date, sign, and return this copy to us.