

FRANCHISE DISCLOSURE DOCUMENT

DUCK DONUTS HOLDINGS, LLC
A Delaware limited liability company
1215 Manor Drive, Suite 302
Mechanicsburg, Pennsylvania 17055
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www.duckdonuts.com



You will operate a retail shop selling fresh made-to-order donuts under the trademark "Duck Donuts".

The total investment necessary to begin operation of a Duck Donuts franchise ranges from \$514,650 to \$737,000. This includes \$40,000 that must be paid to the franchisor.

The total investment necessary to begin the operation of a Duck Donuts multi-unit development business ranges from \$527,150- \$760,500, for a minimum of 2 Duck Donuts outlets to be developed. This includes \$60,000- \$70,000 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 Gary Hitterdal at 1215 Manor Drive-Suite 302 Drive, Mechanicsburg, Pennsylvania 17055, 717-590-5491.

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

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

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

Issuance Date: April 8, 2025

How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|--|---|
| How much can I earn? | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F. |
| 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 D 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 Duck Donuts 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 Duck Donuts franchisee? | Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Addenda. See the Table of Contents for the location of the State 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 us by mediation, arbitration and litigation only in Pennsylvania. Out-of-state mediation, arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in Pennsylvania than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Unregistered Trademark.** A primary trademark that you will use in your business is not currently federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MICHIGAN
FRANCHISE INVESTMENT LAW**

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment 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, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 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 obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to: Michigan Attorney General's Office, Consumer Protection Division, Attention: Franchise Section, G. Mennen Williams Building, 1st Floor, 525 West Ottawa Street, Lansing, Michigan 4893, Telephone Number: 517-373-7117.

Duck Donuts Holdings, LLC
Franchise Disclosure Document

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ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means Duck Donuts Holdings, LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Duck Donuts franchise as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a limited liability company in the State of Delaware on March 4, 2021. Our principal business address is 1215 Manor Drive Suite 302, Mechanicsburg, Pennsylvania, 17055, and our telephone number is 717-590-5491. We do business under our company name, “Duck Donuts” and its associated design (the “Marks”). Our affiliate, Duck Donuts IP, LLC, owns our primary service marks and maintains their registrations on the Principal Register of the United States Patent and Trademark Office. We have not offered franchises in any other line of business. We only offer franchises which operate under the “Duck Donuts” Marks. We began offering franchises on April 26, 2021.

The principal business addresses of our agents for service of process are shown on Exhibit A.

Our Parents, Predecessors and Affiliates

Our parent company is NSF Duck, LLC, a Delaware limited liability company with a principal place of business at 555 E. Lancaster Avenue, 3rd Floor, Radnor, Pennsylvania, 19087. NSF Duck, LLC, has not engaged in any other business activities and has not offered franchises in this or any other line of business previously.

We have a second parent company, Duck Donuts Franchising Company, LLC, which is also our predecessor. Duck Donuts Franchising Company, LLC, is a Delaware limited liability company with a principal place of business at 1215 Manor Drive Suite 302, Mechanicsburg, Pennsylvania, 17055. Duck Donuts Franchising Company, LLC, offered Duck Donuts franchises from October 2012 to April 2021. Duck Donuts Franchising Company, LLC, has not engaged in any other business activities and has not offered franchises in this or any other line of business previously.

We have an affiliated company, Duck Donuts IP, LLC, a Delaware limited liability company with a principal place of business at 1209 Orange Street, Wilmington, Delaware, 19801. Duck Donuts IP, LLC, was formed on March 25, 2021, and is the owner of the Marks and has exclusively licensed use of the Marks to us. Duck Donuts IP, LLC, does not engage in any other business activities and has not offered franchises in this or any other line of business previously.

We have a second affiliated company, Duck Donuts International, LLC, a Delaware limited liability company with a principal place of business at 1209 Orange Street, Wilmington, Delaware, 19801. Duck Donuts International, LLC, was formed on March 25, 2021, and offers Duck Donuts franchises in jurisdictions outside of the United States. As of the Issuance Date of this Disclosure Document, Duck Donuts International, LLC has not sold any franchises. Other than international Duck Donuts franchise sales, Duck Donuts

International, LLC, does not engage in any other business activities and has not offered franchises in this or any other line of business previously.

The Franchise Offered:

We grant franchises for the right to operate a business offering fresh, made-to-order, donuts prepared on the premises, as well as other breakfast items, gourmet coffee, and/or merchandise. You will provide products to customers under the “Duck Donuts” Marks, using our distinctive operating procedures and standards in a limited territory and from a single location (the “Franchised Business”). The distinguishing characteristics of a Duck Donuts Franchised Business include, but are not limited to, the Duck Donuts distinctive trade dress, proprietary recipes, operations methods, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

We also offer qualified individuals the right to open a minimum of two (2) Duck Donuts outlets in a designated area under the terms of a multi-unit development agreement. You must sign the then-current form of franchise agreement for each Franchised Business to be developed under the multi-unit development agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Market and Competition:

The market for your Franchised Business consists of the general public who seek prepared baked goods in a quick-serve setting. The market for donuts and other baked goods is developed, and bakery and food service businesses are highly competitive with constantly changing market conditions.

You will compete with businesses, including national, regional and local businesses, offering products and services similar to those offered by your Duck Donuts Franchised Business including bakeries, coffee shops, and other establishments that offer prepared food for on- or off-premises consumption. There are many other baked goods franchises, including other made-to-order donut franchises, as well as independent businesses throughout the United States that may offer similar products and services to those offered by your Franchised Business. The demand for the products and services offered by your Franchised Business are also affected by changes in consumer tastes, demographics, and economic conditions.

Industry Specific Regulations:

At all times during the operation of your Franchised Business, you must have a ServSafe® Food Handler certification. The jurisdiction where your Franchised Business is located may require additional food safety certifications. You must comply with all laws and regulations for proper food storage, preparation, and service.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and foodservice establishment sanitary conditions. State and local agencies inspect foodservice establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served at your Duck Donuts

outlet, such as the level of trans fat contained in a food item; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; and the posting of calorie and other nutritional information on menus.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, business operations, insurance, discrimination, and employment laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here. You will be responsible for investigating and complying with any such laws. You should consider both their effect on your business and the cost of compliance. You should thoroughly investigate all of these laws and requirements before purchasing a Duck Donuts franchise.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer & Chief Financial Officer: Devon Mailey

Devon Mailey is our Chief Executive Officer & Chief Financial Officer, a position she has held since January of 2025. Devon previously served as Vice President of Finance, a position she held since April 2021. Devon previously served as Vice President of Finance from October 2020 to March 2021 and as Financial Analyst from October 2019 to October 2020, for our predecessor Duck Donuts Franchising Company, LLC in Mechanicsburg, Pennsylvania. From March 2009 to October 2019, Devon was the Manager of Analysis at Hershey Entertainment & Resorts, in Hershey, Pennsylvania.

Senior Director of Marketing: Lindsay Dunn

Lindsay Dunn is our Senior Director of Marketing, a position she has held since November of 2023. Prior to joining the Duck Donuts team, Lindsay was the VP of Marketing at Charter Homes & Neighborhoods in Lancaster, PA from May 2016 - December 2022. Prior to that, Lindsay was the Senior Marketing Manager for Hershey Entertainment and Resorts in Hershey, PA from December 2014 – December 2016.

ITEM 3: LITIGATION

In the Matter of the Commissioner of Financial Protection and Innovation v. Duck Donuts Holdings, LLC, (State of California Department of Financial Protection and Innovation). On January 26, 2022, without hearing or final adjudication of any issue of fact, we voluntarily entered into a Consent Order with the Commissioner of the California Department of Financial Protection and Innovation (the “Commissioner”) to resolve the Commissioner’s claims that we violated the California Franchise Investment Law by (1) maintaining Google click ads and (2) offering a franchise to an existing Duck Donuts multi-unit developer at a time when our Disclosure Document was not effectively registered in the State. Under the Consent Order, we agreed to comply with the California Franchise Investment Law and to pay a penalty of \$5,000.

Other than the above matter, no litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5: INITIAL FEES

Initial Franchise Fee

We will charge you an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is \$40,000. The Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance.

Development Fee

We will charge you a development fee (“Development Fee”) when you sign the Multi-Unit Development Agreement.

The Development Fee is an amount equal to \$60,000 for a required minimum of two (2) Duck Donuts outlet you are to develop under the Multi-Unit Development Agreement, plus \$10,000 for each additional Duck Donuts outlet you agree to develop. The Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Development Agreement. The Development Fee is not refundable under any circumstance.

Upon execution of the Multi-Unit Development Agreement, you also will sign a franchise agreement for your first Duck Donuts outlet. You will receive a \$40,000 credit from the Development Fee against the \$40,000 Initial Franchise Fee due under your first franchise agreement. Upon execution of a lease for each Duck Donuts outlet you develop, you are required to sign our then-current franchise agreement for the next Duck Donuts outlet you are to develop, in accordance with your development schedule. You will pay a discounted initial franchise fee of \$30,000 for the second and each additional Duck Donuts outlet you have agreed to develop.

Upon signing your second franchise agreement, you will receive a credit of \$20,000 from the Development Fee and pay us the \$10,000 balance of the discounted Initial Franchise Fee. If applicable, upon signing your third and each additional franchise agreement, you will receive a credit of \$10,000 from the Development Fee and pay the \$20,000 balance of the discounted Initial Franchise Fee due.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you. We currently offer a ten percent (10%) discount of the initial franchise fee to first responders and to active members and honorably discharged veterans of the U.S. Armed Forces, including a spouse or widow of an active member or honorably discharged veteran. This 10% discount does not apply to the already discounted initial franchise fees payable under the Multi-Unit Development Agreement. We also offer our existing franchisees who are in good standing a reduced Initial Franchise Fee of \$30,000 for the purchase of an additional Duck Donuts franchise.

ITEM 6: OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|--|---|--|--|
| Royalty Fee | 6% of weekly Gross Sales | Sunday following the close of each calendar week (Monday through Sunday) | Payable to us. See footnote 1. |
| Required Minimum Expenditure for Local Marketing and Advertising | 1% of your Gross Sales | Monthly | Payable to third parties. All advertising must be pre-approved by us. See footnote 2. |
| Brand Fund Contribution | 2% of your Gross Sales, subject to increase to no more than 3% of your Gross Sales. | Sunday following the close of each calendar week (Monday through Sunday) | Brand Fund Contributions are paid directly to the Brand Fund. See footnote 3. |
| Advertising Cooperative | Your share of actual cost of advertising. | As determined by cooperative. | No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Duck Donuts outlets in a designated geographic area. Any affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion. |
| Digital Transaction Convenience Fee | .61 per online order | Monthly | This fee is used to develop, maintain, support & secure the ordering platforms for first party orders only (brand websites, online ordering & apps). |
| Late Charge | \$75 | As incurred | If you fail to pay us any amount when due, or if you fail to submit your Gross Sales report when due, we may charge you \$75 for each late submission in addition to interest charges explained below. |
| Interest Charge | 1% per month from due date or maximum allowed by law, whichever is lower | As incurred | If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received. |

| Type of Fee | Amount | Due Date | Remarks |
|--------------------------|---|--|--|
| Non-sufficient Funds Fee | \$50 per occurrence | As incurred | If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you a Non-sufficient Funds Fee. |
| Non-Reporting Fee | \$200 | As incurred | If you fail to report & upload your monthly P&L, we may charge you a fee of \$200 for each month we do not receive your P&L statement. |
| | | | |
| Relocation Fee | \$7,500 | As incurred | This fee is due if we approve your request to relocate your Duck Donuts outlet. |
| Successor Term Fee | \$7,500 | Before signing successor agreement | Payable to us. See Item 17. |
| Transfer Fee | \$20,000; however, for transfers to: (i) an existing franchisee in good standing, the transfer fee is \$15,000 (ii) an entity owned and controlled by the franchisee for convenience purposes or for transfers among owners that does not change management control, the transfer fee is \$1,500 and (iii) a spouse, parent or child upon death or permanent | Upon your request for approval of the transfer | Payable to us. Subject to state law. See Item 17 |

| Type of Fee | Amount | Due Date | Remarks |
|-------------------------------|--|--|---|
| | disability, the transfer fee is \$3,500. | | |
| Initial Training | No charge for initial training of up to four people. The fee for additional trainees is \$500 per person. You pay all travel costs, including transportation, lodging and meals. | As incurred. Fees for replacement trainees or additional trainees are due prior to the commencement of training. | Training includes classroom courses and on-site training. Fees for additional trainees are payable to us. |
| Additional Training | A reasonable fee for each training session, which currently does not exceed \$500 per day for tuition. You also pay all travel and other related expenses incurred by you and your personnel to attend training. | As incurred. | See footnote 4. |
| Conference Non-Attendance Fee | \$1,500 | As incurred. | If you fail to attend our annual franchisee conference, we will assess a non-attendance fee. You are required to obtain any missed mandatory training at your cost. |
| Remedial Training Fee | Our then-current per diem rate for each trainer, plus travel and other expenses. Our current per diem rate is \$250 per day. | As incurred. | We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals. |

| Type of Fee | Amount | Due Date | Remarks |
|---|--|--------------|--|
| Interim Management Support Fee | Our then-current per diem rate for on-site management, plus expenses. Our current rate is the \$500 per day, plus travel and other expenses. | As incurred. | We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Fund Contributions), payable to us, if we provide on-site management of your Franchised Business. See footnote 5. |
| Examination of Books and Records | Cost of examination plus related expenses. | As incurred. | We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by three percent (3%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed, including interest. |
| Evaluation Fee | Actual costs of inspection and testing. | As incurred. | Payable to us. See footnote 5. |
| 3 rd Party Vendor Accounting Services (Optional) | \$500 | Monthly | You must use our designated accounting service for the first full year your location is in operation. |
| Operations Manual Replacement Fee | \$500 | As incurred. | |
| Liquidated Damages | up to 24 months of Royalty Fees and Brand Fund Contributions | As incurred. | Payable if the Franchise Agreement is terminated due to your default. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|----------------|---|
| Insurance Reimbursement | Amount paid by us for your insurance obligations, plus a 10% administrative fee and other actual expenses | As incurred. | You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement. |
| Indemnification | Amount of loss or damages plus costs | As incurred. | See footnote 6. |
| Reimbursement of Cost and Expenses for Non-compliance | Actual costs and expenses | As incurred. | See footnote 7. |
| Reimbursement of legal fees and expenses | Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement. | As Incurred | Payable to us. |
| Taxes | Amount of taxes | When incurred. | You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales, excise, use, privilege, or income taxes imposed by any authority. |

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

¹ "Gross Sales" includes all sales of every kind and nature at or from your Franchised Business location or made pursuant to the rights granted to you by the Franchise Agreement. Gross Sales includes the full amount payable by your customers, without deduction for delivery costs or other write-offs. Gross Sales does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the

tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) and (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales does not include gift card purchases, at the time of purchase, but Gross Sales does include the redemption amount of purchases made by gift card. If you do not report revenues for any week, then we will collect 120% of the last Continuing Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds.

² Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter. You may not use social media platforms, such as Twitter, Instagram, LinkedIn, YouTube, blogs or any other social media site other than Facebook at any time.

³ Brand Fund Contribution payments are due at the same time and in the same manner as Royalty Fees. You are required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund's bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report any sales in a week then the Brand Fund will collect 120% of the last Brand Fund Contribution collected and settle the balance the next week in which you report sales.

⁴ We may offer mandatory and/or optional additional training programs from time to time. If we require it, you must participate in additional training for up to 5 days per year, and attend a national business meeting or annual convention for up to 3 days per year, at a location we designate. In addition to tuition or attendance fees, you are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

⁵ If you wish to purchase, lease or use any, equipment, supplies, services or other items unapproved or from an unapproved supplier, you must request our prior written approval. As a condition to our approval, we may require inspection of the proposed supplier's facilities and evaluation and testing of the proposed item or service.

⁶ You must indemnify and hold us, our parent and affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

⁷ If you breach the Franchise Agreement, you must reimburse us any costs we incur to cure your default. You must also pay us all damages, costs and expenses, including reasonable attorneys' fees and our committed payments of your behalf, we incur in obtaining any remedy, injunctive or other relief to enforce the provisions of the Franchise Agreement or resulting from a termination of the Franchise Agreement.

ITEM 7: ESTIMATED INITIAL INVESTMENT**YOUR ESTIMATED INITIAL INVESTMENT
(Single Unit)**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|--|-----------------------|---|--|--|
| Initial Franchise Fee ¹ | \$40,000 | Lump sum payment in cash or available funds | Upon signing the Franchise Agreement | Us |
| Your Training Expenses ² | \$0-\$2,500 | As required | As required | Suppliers of transportation lodging & meals. |
| Premises Deposits ³ | \$2,500 - \$4,500 | As required by landlord, utility providers | As required by landlord, utility providers | Landlord, Utility providers |
| Professional Design | \$12,000 - \$18,500 | As required | As required | Architect, Designer and/or Building Contractor |
| Leasehold Improvements ⁴ | \$260,000-\$395,000 | As required | As required | Suppliers |
| Signage | \$7,800 - \$13,500 | As required | As required | Suppliers |
| Furniture, Fixtures, Equipment ⁵ | \$110,000 - \$137,000 | As required | As required | Suppliers |
| Computer Systems ⁶ | \$18,000-\$25,000 | As required | As required | Suppliers |
| Initial Inventory ⁷ | \$7,000- \$10,000 | As required | As required | Suppliers |
| Grand Opening Marketing ⁸ | \$12,500-\$15,000 | As required | As required | Suppliers |
| Professional Fees ⁹ | \$750 - \$5,000 | As required | As required | Attorney, Accountant, Other Professional Service Providers |
| Licenses and Permits ¹⁰ | \$100 - \$2,000 | As required | Before opening or as required | Government Agencies |
| Expeditor Fee | \$6,000 - \$9,000 | As required | Before Opening | |
| Insurance ¹¹ | \$3,000 - \$5,000 | As required | Before opening | Insurer |
| Operating Expenses / Additional Funds – 3 months ¹² | \$35,000 - \$55,000 | As incurred | As arranged | Suppliers, etc. |

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|--|--------|--------------------------|----------|-------------------------|
| TOTAL (excluding tenant allowance)¹³ | | \$ \$514,650 - \$737,000 | | |

**YOUR ESTIMATED INITIAL INVESTMENT
(Multi-Unit)**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|-----------------------|---|---|--|
| Development Fee ¹ | \$60,000-\$70,000 | Lump sum payment in cash or available funds | Upon signing the Multi-Unit Development Agreement | Us |
| Your Training Expenses ² | \$0 - \$2,500 | As required | As required | Suppliers of transportation lodging & meals. |
| Premises Deposits ³ | \$2,500- \$7,000 | As required by landlord, utility providers | As required by landlord, utility providers | Landlord, Utility providers |
| Professional Design | \$12,000 - \$18,500 | As required | As required | Architect, Designer and/or Building Contractor |
| Leasehold Improvements ⁴ | \$260,000-\$395,000 | As required | As required | Suppliers |
| Signage | \$7,800 - \$13,500 | As required | As required | Suppliers |
| Furniture, Fixtures, Equipment ⁵ | \$110,000 - \$137,000 | As required | As required | Suppliers |
| Computer Systems ⁶ | \$15,000 - \$20,000 | As required | As required | Suppliers |
| Initial Inventory ⁷ | \$7,000-\$10,000 | As required | As required | Suppliers |
| Grand Opening Marketing ⁸ | \$12,500-\$15,000 | As required | As required | Suppliers |
| Professional Fees ⁹ | \$2,250 - \$10,000 | As required | As required | Attorney, Accountant, Other Professional Service Providers |

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|--|---------------------|----------------------|-------------------------------|-------------------------|
| Licenses and Permits ¹⁰ | \$100 - \$2,000 | As required | Before opening or as required | Government Agencies |
| Insurance ¹¹ | \$3,000 - \$5,000 | As required | Before opening | Insurer |
| Operating Expenses / Additional Funds – 3 months ¹² | \$35,000 - \$55,000 | As incurred | As arranged | Suppliers, etc. |
| TOTAL (excluding tenant allowance)¹³ | | \$527,150- \$760,500 | | |

¹ Please see Item 5 for information on a discount on the Initial Franchise Fee. Our estimate assumes you will develop two outlets. If you choose to develop additional outlets, your development fee will increase by \$30,000 for each additional outlet you commit to develop after the second.

² This amount is for transportation, lodging and meals for two persons attending the Initial Management Training Program and will vary in relation to travel expenses for air fare, lodging, meals, seasonality, and the geographic area from where you are travelling.

³ You must obtain a location for your Franchised Business that is acceptable to us. We anticipate that you will lease your Franchised Business and estimate that monthly rent for the leased space will range from \$20 to \$40 per square foot, depending upon the size, condition, and location of the leased premises. Typical retail space for a Duck Donuts outlet ranges from 1,000 to 1,400 square feet. The cost of commercial space varies considerably depending upon the location and the conditions affecting the local market for commercial property. Your landlord will likely require you to pay a security deposit equal to one month's rent or more. Utility providers set the amounts of the utility deposits. A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted. We have based our estimate on the experiences of our affiliate. The figures in the chart include deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water, and other utilities directly; however, some landlords cover some utility charges through maintenance fees.

⁴ This cost of leasehold improvements depends upon the condition and size of the leasehold, the local cost of contract work and the location of the Franchised Business. The estimated figures assume a vanilla-shell, where no demolition is required, with a minimum of finished concrete floor, grid and tile ceiling, interior walls in paint-ready condition, and existing and adequate electrical, plumbing, and HVAC systems and an ADA-compliant restroom. These amounts will vary based on the condition of the existing leasehold. You may incur additional expenses in this category if you take over space that was occupied by a prior tenant. Tenant improvement allowances, if any, paid to you may defray a portion of build-out costs.

⁵ This item includes all furniture's, fixtures, and equipment needed to open and operate a Duck Donuts outlet. You are required to furnish your Franchised Business in accordance with our specifications and standards.

⁶ This estimate includes all computer systems as well as installation of all components using our required installation vendor.

⁷ This estimate is for the cost of the initial inventory sufficient for approximately 1-2 weeks of operation. Your initial inventory will include ingredients and supplies, product packaging, cleaning products, and other disposables.

⁸ You must conduct a grand opening advertising campaign with the opening of your Franchised Business. You must pay all costs of the grand opening, including publicity costs, promotional costs, plus the full costs of any price reduction or other customer inducements.

⁹ Professional fees include setting up a corporation or other entity and an engaging an accountant and/or attorney to review this Disclosure Document, a lease for the Franchised Business premises and other matters relative to your purchase of a Duck Donuts franchise.

¹⁰ State and local government agencies typically charge fees for occupancy permits, operating licenses and construction permits. Costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

¹¹ You must purchase the amounts and types of insurance as required by our Confidential Operations Manual from time to time (see Item 8). Factors that affect your cost of insurance include the size and location of the Franchised Business, value of the improvements, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. The amount of insurance required is also affected by lease requirements.

¹² This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three (3) months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate includes such items as rent, utilities, internet service, initial payroll and payroll taxes, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you, nor do they include debt service.

¹³ Based on our experience in 2024, you may receive an average of \$46,083 in tenant improvement allowance, which will be paid back to you by your landlord within 90 days of opening. While you may need the Total amount up front, this estimate is representative of total project cost after allowances. Not getting tenant improvement dollars would increase your overall project cost. The range for tenant allowance, if received, for leases signed in 2024 was \$28,000 - \$95,110.

We relied upon the cost experience of our franchisees who opened for business during calendar year 2021 to compile these estimates. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Franchised Business.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers, distributors and manufacturers of equipment, supplies and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all equipment, ingredients, supplies and services from our designated suppliers and contractors or in accordance with our specifications. We maintain written lists of approved items of equipment, ingredients, supplies and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We will update these lists periodically and issue the updated lists to all franchisees.

Neither we, nor any of our affiliates, are an approved supplier for any goods or services that you are required to lease or purchase.

None of our officers owns an interest in any approved supplier.

Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. The minimum insurance required is comprehensive general liability insurance, including coverage for products liability and personal and advertising injury, in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; property damage insurance in an amount that covers the full replacement value of your furniture, fixtures, equipment, inventory and leasehold improvements or the amount required by your lease, whichever is higher; business interruption insurance in an amount no less than necessary to satisfy your obligations under the franchise agreement for a minimum period of 12 months; worker's compensation coverage as required by state law, employee dishonesty insurance of at least \$25,000, and employer liability insurance with a minimum coverage of \$500,000; loss of electronic data coverage of no less than \$10,000 identify theft coverage of no less than \$2,500; and if you operate a vehicle on behalf of your Franchised Business, comprehensive automobile liability insurance of at least a combined single limit for bodily injury and property damage of One Million Dollars (\$1,000,000). Each policy must be written by a responsible carrier or carriers acceptable to us and must name us, and our respective officers, directors, partners, agents and employees as additional insured parties, and contain a waiver of the insurance company's rights of subrogation against us.

We approve suppliers after careful review of the quality of the products and services they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meets our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to

evaluate the product or service. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, we may charge you an evaluation fee equal to our actual cost and expense of inspection and testing.

From time to time, we may receive revenue, rebates, discounts or other material consideration from suppliers based on your required purchases of products, supplies or equipment. Any rebates or discounts we receive may be kept by us in our sole discretion. During our fiscal year ending December 31, 2024, we derived \$583,687 from franchisee-required purchases, which comprised about 8.0% of our total revenue of \$6,869,943.32.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 75% - 90% of your costs to establish your Franchised Business and approximately 50% - 75% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

Although we do not do so currently, we may in the future negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section or Article in Franchise Agreement | Section or Article in Multi-Unit Development Agreement | Item in Franchise Disclosure Document |
|--|--|---|--|
| a. Site Selection and Acquisition/Lease | 8.1 | Not Applicable | 11 |
| b. Pre-Opening Purchase/Leases | 8.3, 10.5, 12.3.1 | Not Applicable | 7, 11 |
| c. Site Development & other Pre-Opening Requirements | 8.2, 8.3, 12.1.1, 12.1.3 | Article 5 | 11 |

| Obligation | Section or Article in Franchise Agreement | Section or Article in Multi-Unit Development Agreement | Item in Franchise Disclosure Document |
|--|--|--|---------------------------------------|
| d. Initial and Ongoing Training | Article 7 | Not Applicable | 11 |
| e. Opening | 8.2.3, 8.3 | Not Applicable | 11 |
| f. Fees | 5.1, 5.2.7, Article 6, 8.4, 11.4.3, 12.6, 13.3.1, 16.4, 18.1.8, 19.1.5 | Article 4 | 5, 6, 7 |
| g. Compliance with Standards and Policies/Operating Manual | Article 9, 12.1, 19.1.1 | Not Applicable | 8, 11 |
| h. Trademarks and Proprietary Information | 9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4 | Not Applicable | 13, 14 |
| i. Restrictions on Products/Services Offered | 12.1.1, 12.1.5, 12.6 | Not Applicable | 8 |
| j. Warranty and Customer Service Requirements | Not Applicable | Not Applicable | Not Applicable |
| k. Territorial Development and Sales Quotas | 13.2 | Article 5 | 12 |
| l. Ongoing Product/Service Purchases | 12.1.4, 12.3.5 | Not Applicable | 8 |
| m. Maintenance, Appearance and Remodeling Requirements | Article 9, 12.1.2, 12.1.8 | Not Applicable | Item 11 |
| n. Insurance | Article 15 | Not Applicable | 7 |
| o. Advertising | 12.1.9, Article 13 | Not Applicable | 6, 11 |
| p. Indemnification | 15.6, 16.3.6, 21.1 | Article 9 | 14 |

| Obligation | Section or Article in Franchise Agreement | Section or Article in Multi-Unit Development Agreement | Item in Franchise Disclosure Document |
|--|--|---|--|
| q. Owner's Participation, Management, Staffing | 11.1, 11.3, 12.1.6 | Not Applicable | 11, 15 |
| r. Records /Reports | 12.2 | Not Applicable | 6 |
| s. Inspections and Audits | 9.2, 12.1.7, 12.2.5 | Not Applicable | 6, 11 |
| t. Transfer | Article 16 | Article 6 | 17 |
| u. Renewal | Article 5 | Not Applicable | 17 |
| v. Post-Termination Obligations | Article 18 | Section 7.4 | 17 |
| w. Non-Competition Covenants | 19.5 | Article 8 | 17 |
| x. Dispute Resolution | Article 20 | Article 10 | 17 |
| y. Spouse Guaranty | 11.3, Attachment 7 | Not Applicable | 15 |

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ITEM 10: FINANCING

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation on your behalf.

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

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

1. Pre-Opening Obligations

Before you open your Franchised Business, we will:

- a. provide you with site selection guidelines and accept a location for your Franchised Business. Within 90 days of signing the Franchise Agreement, you must submit a written request for us to acceptance which describes the proposed location and providing other information about the site that we reasonably request. We will respond within 30 days, accepting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, condition of premises, tenant mix, and demographic characteristics of the area. If you do not secure a site that meets our acceptance within one hundred twenty (120) days of signing the Franchise Agreement, you will be in default and we reserve the right to terminate the Franchise Agreement. We will not own and/or lease a site to you. You are responsible for negotiating a lease with the owner of a site we approve. If you sign our Multi-Unit Development Agreement, we will approve the location and territory of each Duck Donuts outlet you develop in accordance with our then-current standards. (Franchise Agreement, Sections 8.1.2, 8.1.3 10.1).
- b. provide you with specifications for the layout, design, appearance, and signage for your Duck Donuts outlet and, at our discretion, make on-site inspections of your construction progress. You will utilize a list of Duck Donuts preferred architects. We do not adapt plans or obtain permits for you. In our discretion, we may require you to use our designated contractors for site development and sign installation (Franchise Agreement, Sections 8.2.2, 10.2).
- c. provide the Duck Donuts Operations Manual and other manuals and training aids we designate for use in the operation of your Franchised Business, as they may be revised from time to time (Franchise Agreement, Section 10.3).
- d. provide a written list of other equipment, signage, supplies and products that will be required to open the Franchised Business. We do not provide, purchase, deliver, or install any of these items for you (Franchise Agreement, Section 10.5).
- e. provide you with initial training. We will determine, in our sole discretion, whether you satisfactorily complete the initial training (Franchise Agreement, Sections 7.1 and 7.2).

- f. approve your grand opening marketing plan (Franchise Agreement, Section 13.2.3).

2. Time to Open

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is 365 days. Before you may open, you must (a) complete our Initial Management Training Program, (b) complete all improvements to the Franchised Business premises (c) hire and train your staff, (d) obtain all required licenses to operate the Franchised Business, and (e) purchase and stock your initial inventory. Factors that may affect this time period include your ability to acquire license and permits, financing any portion of the initial investment and completion of required training. If you have not opened your Franchised Business within 365 days after you sign the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time as extended, is a default of the Franchise Agreement. (Franchise Agreement, Section 8.3).

3. Obligations After Opening

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs. If we require it, you must attend mandatory additional training for up to 5 days and attend an annual business meeting or franchisee conference for up to 3 days each year at a location we designate. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We have the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs. If you fail to attend a national business meeting or annual conference, you must pay a non-attendance fee. (Franchise Agreement, Section 7.4).
- b. upon your request, or as we determine to be appropriate, provide remedial in-territory training and assistance. For any in-territory training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging (Franchise Agreement, Section 7.5).
- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, or electronic mail, subject at all times to

availability of our personnel and within reasonable limits (Franchise Agreement, Section 7.6).

- d. from time to time, as may become available, provide you with samples or digital artwork of advertising and promotional materials (Franchise Agreement, Section 10.6);
- e. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your service and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4);
- f. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.7);
- g. subject to applicable law, recommend minimum and maximum prices for products and services at your Duck Donuts outlet (Franchise Agreement, Section 12.5);
- h. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within ten (10) business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within ten (10) business days, the proposed material and/or campaign is deemed “disapproved”. (Franchise Agreement, Section 13.6).

4. Advertising

Local Advertising (Franchise Agreement, Sections 13.2 and 13.5)

We require you to spend at least \$12,500 on the approved opening advertising and promotional plan with the agency of record beginning at least 14 days prior to and within the first 60 days following the opening of your Franchised Business. Commencing your second year, you must spend a minimum of one percent (1%) of your Gross Sales each month on local advertising for the Franchised Business in your territory, which can be audited.

For any transfers, we require the transferee to spend a one-time marking fee of \$9,000 on the approved opening advertising and promotional plan with the agency of record beginning at least 14 days prior to and within the first 60 days following the opening of your Franchised Business.

You may develop advertising materials utilizing Brand approved content for your own use at your own cost, and you may use marketing materials that we may offer. You may not use any advertising or marketing materials, including press releases and vendor-designed assets unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within 10 business days; however, if we do not respond within 10 business days, the proposed advertising or marketing material is deemed “disapproved”.

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible

for local advertising placement. You may not maintain a business profile on Twitter, Instagram, LinkedIn, YouTube, Tik Tok or any other social media and/or networking site other than Facebook at any time..

System-wide Advertising Funds (Franchise Agreement, Sections 13.3 and 13.4)

You are required to contribute up to 3% of your Gross Sales weekly to our systemwide Brand Fund. Each Duck Donuts outlet operated by our affiliates or us may, but is not obligated to, contribute to the Brand Fund on the same basis as System franchisees.

The Brand Fund is administered by our accounting and marketing personnel. We may use Brand Fund contributions to pay any and all costs for developing, producing and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through any media we determine; conducting marketing research and employing advertising agencies; developing, enhancing and maintaining our website, social media platforms, apps, and other technology for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that we internally administer or prepare.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we have the right to use the Brand Fund for public relations, to explain the franchise system, and/or include "Franchises Available" or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends contributions for the benefit of the System as a whole. We have the right to use the Brand Fund contributions to place advertising in national, regional or local media (including digital, broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to use the Brand Fund to place advertising or conduct marketing campaigns in any particular area, including the geographical area where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

The Brand Fund is not audited. An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

In our most recently concluded fiscal year ending December 31, 2024, Brand Fund contributions, including contributions that were carried over from the previous year,

were used as follows: 25% for media placement, 25% for production, 20% for administrative expenses and 30% other.

Advertising Council (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and profitability. We have the right to change or dissolve the council at any time.

Regional Advertising Cooperative (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised Duck Donuts outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Duck Donuts outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents.

If we establish a regional advertising fund or cooperative, you must contribute amounts we require. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Fund; however, up to one-half of your local advertising expenditure may be credited to your required regional cooperative contributions.

5. Computer Systems (Franchise Agreement, Section 12.3)

You must purchase and use the point-of-sale system ("POS System") we specify, and have the latest versions of hardware, software and applications to operate the POS System. The POS System performs a variety of functions, including payment processing, employee scheduling, and sales report generation. ParTech® Brink POS® and the Grubrr self-order kiosk are the required all-in-one restaurant point of sale system and supports an extensive integration partner ecosystem. In addition, you are required to maintain an account with current Gift Card and Loyalty programs.

You are required to use all other software and applications that we specify and pay any subscription or access fees associated with them.

The current cost of the required hardware and software for the POS System is \$15,000-\$20,000, including installation, and monthly continuing access fees are \$250 per month, subject to increase.

We may in the future modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense.

The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the internet. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer data stored in your customer management account.

You are required to purchase and maintain a security monitoring system for your premises. The current cost of this system is \$1,500 - \$3,300, and maintenance costs are estimated to be approximately \$500 per year.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System or any replacements thereto. We cannot estimate the cost of maintaining, updating and upgrading your computer hardware and software because it will depend on the make and model of your hardware, required upgrades to operate our current management and payment processing applications, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

6. Table of Contents of Operations Manual

The Table of Contents of our Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit E. The Operations Manual has a total of 50 pages.

7. Training (Franchise Agreement, Article 7)

You (if the franchisee is an individual) or all of your owners (if the franchisee is a business entity) /managers, those responsible for the day-to-day operations of the franchise), must complete our Initial Management Training Program, to our satisfaction, at least 8 weeks (but no more than 12 weeks) before opening your Franchised Business. We will train you at our headquarters and/or at an affiliate- or franchised-owned outlet, or at another location we specify as well as online

TRAINING PROGRAM

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|------------------------------------|-------------------------------------|-----------------|
| Online Courses: Intro to the Brand, Safety and Sanitation | 2 | 0 | Online |

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|-----------------------------|------------------------------|-----------------------------|
| History of Duck Donuts – The core of the Duck Donuts brand | 2 | 0 | Mechanicsburg, Pennsylvania |
| Department Overview | .5 | 0 | Mechanicsburg, Pennsylvania |
| Technology Overview | 1.5 | 0 | Mechanicsburg, Pennsylvania |
| Hands on Training in Shop: Donut Making, Food Prep, Back of House, POS/Cashiering, Barista, Equipment Overview & Maintenance, Inventory/COGS, Catering, Scheduling & Financials | 0 | 32 | Mechanicsburg, Pennsylvania |
| Communications & PR | 1 | 0 | Mechanicsburg, Pennsylvania |
| Customer Service Experience | 2 | 10 | Mechanicsburg, Pennsylvania |
| Menu Information, Vendors, Suppliers, and Equipment | 2 | 2 | Mechanicsburg, Pennsylvania |
| Administrative Procedures, Financials, and Back Office Tutorial | 4 | 0 | Mechanicsburg, Pennsylvania |
| HR Overview | 1 | 0 | Mechanicsburg, Pennsylvania |
| Marketing & Digital Overview | 4 | 0 | Mechanicsburg, Pennsylvania |
| On the Job Training / Weekend Hours | 0 | 16 | Mechanicsburg, Pennsylvania |
| DDU Follow Up / Refreshers | 4 | 0 | Online/Virtual |
| TOTAL HOURS | 24 | 60 | |

We reserve the right to vary the length and content of the initial training program to accommodate changes in our business trends and based upon the experience and skill level of the individual attending the training program.

We periodically conduct our Initial Management Training Program (Duck Donuts University) throughout the year, as needed. Training will be provided by or under the direction of Spensir Kilmer, Senior Corporate Training and Operations Manager. Spensir

was previously the Operations and Training Manager for Duck Donuts. Prior to that, she was the Duck Donuts corporate shop manager from January 2018 to March 2019 before joining the Duck Donuts training team. She oversees the training programs for new franchisees as well as the ongoing training for open shops. In addition, she oversees the management for the corporate shop in Mechanicsburg.

Our training materials consist of the Duck Donuts University Workbook, Operations Manual, online training, tutorials and webinars. You will receive both classroom instruction and hands-on training. You may not commence operation of the Franchised Business unless and until we determine that you have successfully completed the Initial Management Training Program which includes passing a final exam and fulfilling all the requirements in each training session throughout the course of the week.

The cost of our instructors and training materials for up to four people is included in the Initial Franchise Fee. You must pay for travel expenses for yourself and your personnel. Our current fee to provide initial training to any additional trainees who attend training with you is \$500 per person.

If you do not complete our Initial Management Training Program to our satisfaction, we have the right to terminate the Franchise Agreement.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting. If we require it, you must attend mandatory training programs for up to 7 days and an annual conference or national business meeting for up to 3 days each year, at a location we designate. Failure to attend mandatory training, including an annual conference or business meeting, is a default under the Franchise Agreement. We have the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference, which will not currently exceed \$500 per person per day. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs. If you fail to attend an annual conference or a national business meeting, we can impose a non-attendance fee of \$1,500.

ITEM 12: TERRITORY

Under the Franchise Agreement, you have the right to establish and operate 1 Duck Donuts outlet within a limited protected territory that will be defined after the site of your Franchised Business is identified and accepted by us (the "Territory"). You are required to find and obtain possession of a specific site for your Franchised Business in a non-exclusive site search area that meets our site selection criteria and our acceptance. Your Territory is located in all or a portion of a listed town, city, or county, and is identified by a marked map and/or list of one or more contiguous zip codes. The Territory is determined on an individual basis taking into account minimum numbers of households, average home prices and household incomes. Your Territory will be identified and attached to your Franchise Agreement as Attachment 2.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another dedicated Duck Donuts outlet or grant the right to anyone else to open a dedicated Duck Donuts outlet within your Territory. However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell, either directly or through others, our products and services at non-traditional or captive market venues in the Territory, such as grocery stores, convenience stores, amusement or theme parks, sports stadiums and arenas, enclosed shopping centers, military bases, airports, train stations, and gas stations. We also reserve all rights to sell our products and services through alternative distribution channels.

Under our Multi-Unit Development Agreement, you will be granted the right to develop an agreed upon number of Duck Donuts outlets within an exclusive geographical area described in the Multi-Unit Development Agreement (the "Development Area"). The Development Area is typically described in terms of municipal or county boundaries. The actual size of the Development Area will vary depending upon the availability of contiguous markets, our long-range development plans, your financial and operational resources, population, and market conditions.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

There is no minimum sales requirement, market penetration or other contingency that will affect your limited protected right to operate in the Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. If we give our consent, we will charge you a relocation fee equal to \$7,500. The factors we consider in permitting a relocation include loss of your premises not due to your default, demographics of the surrounding area of the proposed relocation site, proximity to other Duck Donuts outlets, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. If you wish to relocate, you must identify a new location for the Franchised Business that is acceptable to us, in accordance with our then-current site selection procedures, and build out the accepted location within 120 days. If you do not identify a site and complete the build-out within this time period, we may terminate the Franchise Agreement. You must continue to operate at your original premises until construction of the new site is complete.

Unless you have signed our Multi-Unit Development Agreement, we may, but have no obligation to, consider granting to you the right to establish additional Duck Donuts outlets under other franchise agreements. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises within the Territory or contiguous territories. We may, but have no obligation to, consider granting you the right to establish additional Duck Donuts outlets under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open another Duck Donuts outlet in an area and at a location we approve.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate Duck Donuts outlets outside of the Territory and may operate other kinds of businesses within the Territory. We and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Franchised Business.

We and our affiliates may sell products and services under the Mark within or outside the Territory through any Internet, catalog sales, telemarketing, or other direct marketing (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory. You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, you may maintain accounts with third-party delivery services.

You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

ITEM 13: TRADEMARKS

Our affiliate Duck Donuts IP, LLC (“Licensor”) is the owner of the Marks and has granted to us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of a Duck Donuts franchise in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business using the following trademarks (the “Principal Marks”).

| Mark | Registration Number | Registration Date | Register |
|-------------|---------------------|-------------------|-----------|
| DUCK DONUTS | 5218263 | June 6, 2017 | Principal |

All required affidavits and renewals have been filed for the above Principal Mark.

We also license to you the following Principal Mark:



With regard to this Mark only, we do not have a federal registration for this trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Marks or other Marks. Licensor and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising

from any claim challenging your authorized use of the Principal Marks or other Marks. Licensor and we have the right to control any administrative proceedings or litigation involving the Principal Marks or other Mark licensed by us to you. You must cooperate fully with Licensor and us in defending and/or settling the litigation.

We have the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Marks, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest Licensor's right, or our right, to the Principal Marks or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other Marks.

There are no currently effective agreements that significantly limit Licensor's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

The license agreement with Licensor gives us broad rights to use the Marks in connection with the operation of the Duck Donuts franchise System, and to sublicense to franchisees the right to use the Marks, in strict accordance with our Franchise Agreement. The term of our license agreement is 10 years.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Marks.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on our proprietary recipes, certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Operations Manual and the contents of our website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will

indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

If you develop any new concept, process, recipe, product, service, or improvement ("Improvement") in the operation or promotion of the Franchised Business, you are required to promptly notify us and provide us with all requested information related to the Improvement and sign all documents necessary for us to obtain full proprietary rights to the Improvement. We have no obligation to compensate you for the Improvement or for any cost you incur to sign over your rights to the Improvement to us.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, product recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, pricing formulae, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never during the Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Any and all of your personnel who have access to our Confidential Information must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment 9).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement requires that you personally supervise, devote full time, and manage the day-to-day operation of your Franchised Business. You and your manager must successfully complete our Initial Management Training Program and all other training courses we require. Your Duck Donuts **certified** manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your manager is not required to have an equity interest in the franchisee entity.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Confidentiality and Non-Compete

Agreement, which is attached to our Franchise Agreement as Attachment 9. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 7.

ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved. You may only engage in providing products and services to end-consumers.

You may not use our Principal Mark or other trademarks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business (other than an additional Duck Donuts outlet) that competes with your Franchised Business, with us or our affiliates, or with Duck Donuts outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

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 Agreement | Summary |
|----|--|---------------------------------------|---|
| a. | Length of the franchise term | Art. 4 | Term is 10 years |
| b. | Renewal or extension of the Term | Art. 5 | If you are in good standing as defined below, you can sign a successor agreement for an additional term of 10 years, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located. |
| c. | Requirements for franchisee to renew or extend | Sections 5.1 and 5.2 | Be in full compliance, have no more than three events of default during current term, provide written notice to us at least six months before the end of the term, have the right to continued occupancy of the |

| | Provision | Section in Franchise Agreement | Summary |
|----|---|--------------------------------|---|
| | | | Franchised Business premises or obtain our approval to relocate, pay us a renewal fee of \$7,500, repair, upgrade or replace the equipment and other Franchised Business assets to meet then-current specifications, execute a general release, comply with then-current qualifications and training requirements, including completion of additional training, and execute a new franchise agreement. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement. |
| d. | Termination by franchisee | Not Applicable | You may seek termination upon any grounds available by state law. |
| e. | Termination by franchisor without cause | Not Applicable | Not Applicable |
| f. | Termination by franchisor with cause | Article 17 | We may terminate only if you default, subject to state law. The Franchise Agreement describes defaults throughout. Please read it carefully. |
| g. | "Cause" defined – curable defaults | Section 17.3 | You have five days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below). |
| h. | "Cause" defined - non-curable defaults | Sections 17.1 and 17.2 | <p>The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not disclosed within 30 days.</p> <p>We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction, obtain permits and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 3 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 120 days after a casualty, as may be extended by us; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to</p> |

| | Provision | Section in Franchise Agreement | Summary |
|----|--|--------------------------------|--|
| | | | transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or to a crime or do anything that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-month period; or terminate the Franchise Agreement without cause. Termination of the unit Franchise Agreement is also the termination the Multi-Unit Development Agreement if applicable. |
| i. | Franchisee's obligations on termination/ non-renewal | Article 18 | Upon termination, you must: cease operations; cease to identify yourself as a Duck Donuts franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all fixtures, equipment, and supplies of your Franchised Business; assign, at our option, your telephone numbers, directory and internet listings, and social media accounts and the lease for the location; and pay us liquidated damages. |

| | Provision | Section in Franchise Agreement | Summary |
|----|--|---------------------------------------|---|
| j. | Assignment of contract by franchisor | Section 16.1.1 | No restrictions on our right to assign. |
| k. | "Transfer" by franchisee defined | Section 16.3 | Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity). |
| l. | Franchisor approval of transfer by franchisee | Section 16.3 | No transfer is allowed without our consent, which we will not unreasonably withhold. |
| m. | Conditions for franchisor approval of a transfer | Sections 16.3 and 16.4 | Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully completes our Initial Management Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release in the form of Attachment 3 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; you will indemnify us for misrepresentations in the transfer process (excluding our representations in the FDD); our approval of the material terms and conditions of the transfer; obtain landlord's consent to transfer the premises lease, if applicable; and payment of a transfer fee equal to \$20,000; however, the fee is \$15,000 for a transfer to an existing franchisee in good standing; \$1,500 for transfer among existing owners, or to add a new entity or shareholder or member to your entity and such transfer does not change management control of your entity; or \$3,500 for a transfer to a spouse, parent or child upon death or permanent disability. Transferee must spend at least \$9,000.00 on an approved local advertising and promotional plan with the marketing agency of record in the Territory within the first 90 days after the effective date of the Transfer. |
| n. | Franchisor's right of first refusal to acquire franchisee's business | Section 16.6 | You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us |

| | Provision | Section in Franchise Agreement | Summary |
|----|--|------------------------------------|--|
| | | | all customary seller's representations and warranties. |
| o. | Franchisor's option to purchase franchisee's business | Section 18.2 | Upon termination of the Franchise Agreement, we have the option to purchase your equipment, signs, advertising materials, and supplies at your cost or fair market value, whichever is less. |
| p. | Death or disability of franchisee | Sections 16.3, 16.4 and 16.7 | The executor of your estate or other personal representative must transfer the Franchise within 6 months to a replacement franchisee that we approve. |
| q. | Non-competition covenants during the term of the franchise | Section 19.5.1 | You may not: divert, or attempt to divert, customers of any Duck Donuts outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts or other bakery treats; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees. |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 19.5.2 | For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Duck Donuts business (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts or other bakery treats within 10 miles of your former Duck Donuts outlet location or any other Duck Donuts outlet location; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees. |
| s. | Modification of the agreement | Sections 9.4, 14.6 19.1.4 and 21.4 | No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you. |
| t. | Integration/merger clause | Section 21.4 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any Franchise |

| | Provision | Section in Franchise Agreement | Summary |
|----|--|--------------------------------|--|
| | | | Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. |
| u. | Dispute resolution by arbitration or mediation | Sections 20.1, 20.2 and 20.3 | At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law. |
| v. | Choice of forum | Section 20.5 | Litigation takes place in Pennsylvania, subject to applicable state law. |
| w. | Choice of law | Section 20.5 | Pennsylvania law applies, subject to applicable state law. |

**THE FRANCHISE RELATIONSHIP
(UNDER THE MULTI-UNIT DEVELOPMENT AGREEMENT)**

This table lists certain important provisions of the multi-unit development agreement. You should read these provisions in the agreement attached to this disclosure document.

| | Provision | Section in Multi-Unit Development Agreement | Summary |
|----|--|---|--|
| a. | Length of the franchise term | Art. 3 | As determined by you and us based on the number of Duck Donuts outlets you are to develop. |
| b. | Renewal or extension of the Term | Not Applicable | Not Applicable |
| c. | Requirements for franchisee to renew or extend | Not Applicable | Not Applicable |
| d. | Termination by franchisee | Not Applicable | You may seek termination upon any grounds available by state law. |
| e. | Termination by franchisor without cause | Not Applicable | Not Applicable |
| f. | Termination by franchisor with cause | Article 7 | We may terminate only if you default. The Multi-Unit Development Agreement describes defaults throughout. Please read it carefully. |
| g. | "Cause" defined – curable defaults | Section 7.3 | You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Multi-Unit Development Agreement and described in h. immediately below). |
| h. | "Cause" defined - non-curable defaults | Sections 7.1 and 7.2 | The Multi-Unit Development Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied |

| | Provision | Section in Multi-Unit Development Agreement | Summary |
|----|--|---|---|
| | | | final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Multi-Unit Development Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Development Rights; falsify any report to us; fail to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of your Duck Donuts outlets, including, but not limited to, the failure to pay taxes; fail to develop the Duck Donuts outlets in accordance with the Mandatory Development Schedule; attempt a transfer in violation of the Multi-Unit Development Agreement; are convicted or plead no contest to a felony or to crime or do anything that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; fail to comply with non-competition covenants; default, or your affiliate defaults, under any other agreement, including any Franchise Agreement, with us or any of our affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or terminate the Multi-Unit Development Agreement without cause. Termination of the Multi-Unit Development Agreement is also the termination of a unit Franchise Agreement if applicable. |
| i. | Franchisee's obligations on termination/ non-renewal | Section 7.4 | Upon termination, you must: cease all development operations and comply with the non-disclosure and non-competition covenants. |
| j. | Assignment of contract by franchisor | Section 6.1 | No restrictions on our right to assign. |
| k. | "Transfer" by franchisee defined | Section 6.3 | Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Multi-Unit Development Agreement or Development Rights. |
| l. | Franchisor approval of transfer by franchisee | Sections 6.2, 6.3 | No transfer is allowed without our consent, which we will not unreasonably withhold. |
| m. | Conditions for franchisor approval of a transfer | Sections 6.3 and 6.4 | Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying developers; you have paid us all amounts owed; transferee signs our then-current form of Multi-Unit Development Agreement, which may have |

| | Provision | Section in Multi-Unit Development Agreement | Summary |
|----|--|---|---|
| | | | materially different terms from your Multi-Unit Development Agreement; you and the transferee sign a General Release in the form of Attachment 3 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; our approval of the material terms and conditions of the transfer; payment of a transfer fee equal to \$15,000 or \$10,000 for transfer to an existing developer or franchisee in good standing, or \$2,000 for transfers among owners, or \$2,500 for a transfer to a spouse, parent or child upon death or permanent disability. |
| n. | Franchisor's right of first refusal to acquire franchisee's business | Section 6.5 | You must promptly notify us of any written offer to purchase your Development Rights. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b).we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties. |
| o. | Franchisor's option to purchase franchisee's business | Not Applicable | Not Applicable |
| p. | Death or disability of franchisee | Section 6.6 | The executor of your estate or other personal representative must transfer the Franchise within six months to a replacement franchisee that we approve. |
| q. | Non-competition covenants during the term of the franchise | Section 8.3.1 | You may not: divert, or attempt to divert, customers of any Duck Donuts outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts or other bakery treats; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees. |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 8.3.2 | For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Duck Donuts business (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts or |

| | Provision | Section in Multi-Unit Development Agreement | Summary |
|----|--|---|---|
| | | | other bakery treats within 10 miles of your Development Area on or any other Duck Donuts outlet location; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees. |
| s. | Modification of the agreement | Section 11.4 | No oral modifications. No amendment of the provisions will be binding upon either party unless the amendment has been made in writing and executed by all interested parties. |
| t. | Integration/merger clause | Section 11.4 | Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of Multi-Unit Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Multi-Unit Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. |
| u. | Dispute resolution by arbitration or mediation | Sections 10.1, 10.2, 10.3, and 10.4 | At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law. |
| v. | Choice of forum | Section 10.5 | Litigation takes place in Pennsylvania, subject to applicable state law. |
| w. | Choice of law | Section 10.5 | Pennsylvania law applies, subject to applicable state law. |

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

ITEM 18: PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following representation is an historic financial performance representation about our existing outlets that were in operation in calendar year 2024. As of December 31, 2024, we had 143 franchised outlets and 1 affiliate-owned outlet operating in the Duck Donuts System. The data below represent performance of 99 franchised outlets and our 1 affiliate-owned outlet, which were open as of January 1, 2024, and operated continuously throughout calendar year 2024. We have excluded 23 franchised outlets because they did not operate for the full calendar year. We have also excluded 6 food trucks which are non-traditional outlets and, and 1 arena, which are non-traditional outlets, and 13 international outlets.

**Gross Sales – Franchised Outlets
January 1 – December 31, 2024**

| | |
|---|-------------|
| All Franchised Outlets (99 Outlets) – Average Gross Sales | \$537,112 |
| All Franchised Outlets (99 Outlets) – Median Gross Sales | \$499,779 |
| Highest Performing Franchised Outlet | \$1,350,265 |
| Lowest Performing Franchised Outlet | \$160,020 |
| Top 25% Performers (25 Outlets) – Average Gross Sales | \$792,152 |
| Middle 50% Performers (49 Outlets) – Average Gross Sales | \$505,505 |
| Bottom 25% Performers (25 Outlets) – Average Gross Sales | \$344,021 |

**Gross Sales – Affiliate-Owned Outlet
January 1 – December 31, 2024**

| | |
|---|-----------|
| Affiliate-Owned Outlet | \$613,993 |
| Cost as a Percentage of Gross Sales: | |
| Food Cost | 27.4% |
| Labor Cost | 28.9% |

“Gross Sales” is defined as the total revenue derived from the sale of goods and services less sales tax and customer refunds or adjustments.

Our affiliate-owned outlet operates in substantially the same manner as franchise outlets; however, our affiliate-owned outlet is not subject to the same fees which a franchisee will experience. Item 6 of this Disclosure Document outlines the fees to which a franchisee will be subject, such as royalty fees and brand fund contributions.

Written substantiation 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’ll earn as much.

Other than the above disclosure, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income,

you should report it to the franchisor's management by contacting Gary Hitterdal at Duck Donuts Holdings, LLC, 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055, or 717-590-5491, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

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

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|----------------------|-------------|----------------------------------|--------------------------------|------------|
| Franchised | 2022 | 104 | 111 | +7 |
| | 2023 | 111 | 133 | +22 |
| | 2024 | 133 | 143 | +10 |
| Company – Owned | 2022 | 1 | 1 | 0 |
| | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| Total Outlets | 2022 | 105 | 112 | +7 |
| | 2023 | 112 | 134 | +22 |
| | 2024 | 134 | 144 | +10 |

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

| State | Year | Number of Transfers |
|----------------|------|---------------------|
| Florida | 2022 | 2 |
| | 2023 | 0 |
| | 2024 | 0 |
| North Carolina | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 1 |
| Minnesota | 2022 | 2 |
| | 2023 | 2 |
| | 2024 | 1 |
| Missouri | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |
| New Jersey | 2022 | 0 |
| | 2023 | 1 |

| | | |
|----------------|-------------|-----------|
| | 2024 | 3 |
| Ohio | 2022 | 0 |
| | 2023 | 2 |
| | 2024 | 0 |
| Pennsylvania | 2022 | 0 |
| | 2023 | 2 |
| | 2024 | 0 |
| Puerto Rico | 2022 | 0 |
| | 2023 | 2 |
| | 2024 | 0 |
| South Carolina | 2022 | 3 |
| | 2023 | 0 |
| | 2024 | 1 |
| Tennessee | 2022 | 1 |
| | 2023 | 1 |
| | 2024 | 1 |
| Texas | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| Virginia | 2022 | 2 |
| | 2023 | 0 |
| | 2024 | 1 |
| Total | 2022 | 11 |
| | 2023 | 11 |
| | 2024 | 9 |

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

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|----------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Arizona | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Arkansas | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| | | | | | | | | |
|---------------|------|---|---|---|---|---|---|---|
| California | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 2 | 0 | 0 | 0 | 3 |
| Colorado | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Delaware | 2022 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 2 | 2 | 0 | 0 | 0 | 7 |
| Georgia | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 3 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Idaho | 2022 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Illinois | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| Iowa | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Kansas | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Kentucky | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 2 | 0 | 0 | 0 | 0 |
| Maryland | 2022 | 3 | 0 | 1 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Massachusetts | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minnesota | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| | | | | | | | | |
|----------------|------|----|---|---|---|---|---|----|
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Missouri | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Nevada | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Jersey | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 2 | 0 | 0 | 0 | 0 | 10 |
| New York | 2022 | 4 | 2 | 0 | 0 | 0 | 0 | 6 |
| | 2023 | 6 | 2 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| North Carolina | 2022 | 18 | 1 | 0 | 0 | 0 | 0 | 19 |
| | 2023 | 19 | 1 | 0 | 0 | 0 | 0 | 20 |
| | 2024 | 20 | 1 | 4 | 0 | 0 | 1 | 16 |
| Ohio | 2022 | 7 | 0 | 0 | 0 | 0 | 1 | 6 |
| | 2023 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 0 | 1 | 0 | 0 | 2 | 4 |
| Pennsylvania | 2022 | 10 | 0 | 0 | 0 | 0 | 0 | 10 |
| | 2023 | 10 | 3 | 0 | 0 | 0 | 0 | 13 |
| | 2024 | 13 | 4 | 0 | 0 | 0 | 1 | 16 |
| Puerto Rico | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| South Carolina | 2022 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 2 | 0 | 0 | 0 | 0 | 9 |
| Tennessee | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| Texas | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| Utah | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Virginia | 2022 | 15 | 1 | 0 | 0 | 0 | 0 | 16 |
| | 2023 | 16 | 3 | 0 | 0 | 0 | 0 | 19 |

| | | | | | | | | |
|---------------|------|-----|----|----|---|---|---|-----|
| | 2024 | 19 | 3 | 0 | 1 | 0 | 0 | 21 |
| Wisconsin | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| International | 2022 | 2 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 6 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 6 | 1 | 0 | 0 | 0 | 13 |
| Total | 2022 | 104 | 10 | 2 | 0 | 0 | 1 | 111 |
| | 2023 | 111 | 28 | 5 | 0 | 0 | 0 | 133 |
| | 2024 | 133 | 29 | 13 | 1 | 0 | 4 | 143 |

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

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|--------------|-------------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Pennsylvania | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |

Table No. 5
Projected Openings as of December 31, 2024

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company Owned Outlets in the Next Fiscal Year |
|----------------|---|--|---|
| California | 1 | 1 | 0 |
| Connecticut | 1 | 1 | 0 |
| Florida | 8 | 3 | 0 |
| Georgia | 1 | 1 | 0 |
| Maryland | 4 | 2 | 0 |
| Nevada | 1 | 1 | 0 |
| New Jersey | 6 | 2 | 0 |
| New York | 6 | 4 | 0 |
| North Carolina | 2 | 1 | 0 |
| Pennsylvania | 1 | 0 | 0 |

| | | | |
|----------------|----|----|---|
| South Carolina | 1 | 1 | 0 |
| Tennessee | 3 | 1 | 0 |
| Texas | 4 | 2 | 0 |
| Utah | 1 | 1 | 0 |
| Virginia | 1 | 1 | 0 |
| Wisconsin | 1 | 1 | 0 |
| Total | 42 | 23 | 0 |

Exhibit F lists the location of each Duck Donuts franchisee in our System, and each franchisee who has had an outlet terminated, canceled, not renewed or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our last fiscal year or who has not communicated with us within 10 weeks of the 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.

The following independent franchisee organization has asked to be included in this disclosure document: Independent Association of Duck Donuts Franchisees, Inc., (757) 650-0278, DuckDonutsFranchisees@gmail.com.

ITEM 21: FINANCIAL STATEMENTS

Duck Donuts Holdings, LLC was formed on March 4, 2021. Our audited financial statements for the period of December 31, 2022, December 31, 2023, and December 31, 2024 are included in Exhibit D.

Our fiscal year end is December 31.

ITEM 22: CONTRACTS

A copy of all proposed agreements regarding the franchise offering are included in this Disclosure Document, as follows:

- Exhibit B – The Franchise Agreement and all attachments to it (Marks, Territory, General Release, ACH Authorization, Collateral Assignment of Lease, Statement of Ownership Interests in Franchisee, Telephone, Internet, and Social Media Listing Assignment Agreements, Spousal Guaranty, and Confidentiality and Non-Compete Agreement).
- Exhibit C -- Multi-Unit Development Agreement
- Exhibit H -- Franchisee Acknowledgement Statement, as permitted by state law. 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.

ITEM 23: RECEIPT

A receipt in duplicate is attached as the last two pages of this Disclosure Document. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Eric Lavinder at Duck Donuts Holdings, LLC, 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055.

~Remainder of Page Left Blank Intentionally~

EXHIBIT A

LIST OF FRANCHISE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| State | State Agency | Agent for Service of Process |
|-------------|--|--|
| CALIFORNIA | Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677) | Commissioner of the Department of Financial Protection and Innovation |
| CONNECTICUT | State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 | Banking Commissioner |
| HAWAII | Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 | Commissioner of Securities of the State of Hawaii |
| ILLINOIS | Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 | Illinois Attorney General |
| INDIANA | Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681 | Indiana Secretary of State 201 State House Indianapolis, IN 46204 |
| MARYLAND | Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 | Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 |
| MICHIGAN | Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117 | Michigan Department of Commerce, Corporations and Securities Bureau |
| MINNESOTA | Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500 | Minnesota Commissioner of Commerce |

| State | State Agency | Agent for Service of Process |
|--------------|---|--|
| NEW YORK | New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 | Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712 | North Dakota Securities Commissioner |
| OREGON | Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 | Director of the Department of Consumer and Business Services |
| RHODE ISLAND | Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585 | Director of Rhode Island Department of Business Regulation |
| SOUTH DAKOTA | Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 | Director of Insurance-Securities Regulation |
| VIRGINIA | State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051 | Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733 |
| WASHINGTON | Washington Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760 | Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 |
| WISCONSIN | Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559 | Commissioner of Securities of Wisconsin |

EXHIBIT B
FRANCHISE AGREEMENT

DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT
DATA SHEET

Franchisee: _____
(Individual(s) and _____
Entity, if applicable) _____

Spouse Guarantor(s): _____

Effective Date: _____

Accepted Location: _____

Territory: _____

Site Search Area: _____

Initial Franchise Fee: _____

The terms of this Data Sheet are incorporated into the attached Franchise Agreement.

DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT
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Attachments

- 1 - Trademarks
- 2 - Territory
- 3 - Release
- 4 - ACH Authorization
- 5 - Collateral Assignment of Lease
- 6 - Statement of Ownership Interests in Franchisee
- 7 - Spousal Guaranty
- 8 - Internet Advertising, Social Media, Telephone Account Agreement
- 9 - Confidentiality and Non-Compete Agreement
- 10 - Provisions Applicable to SBA Financing

THIS FRANCHISE AGREEMENT (the “Agreement”) is being entered into this day of _____ (the “Effective Date”), by and between Duck Donuts Holdings, LLC, a Delaware limited liability company, with its principal place of business at 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055 (herein “Franchisor”), and _____, a(n) _____, with its principal place of business located at _____, and _____’s principal(s) _____, an individual, residing at _____, and _____, an individual, residing at _____ (“Principal(s)”). _____ and Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a high quality retail outlets selling fresh made-to-order donuts, under the Duck Donuts trademarks, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks Duck Donuts service mark, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1. RECITATIONS.

The Recitations set out above form part of this Agreement.

2. GRANT OF FRANCHISE.

Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a Duck Donuts franchise (the “Franchise” or “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only to a

single location within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

3. TERRITORY.

3.1 Territory. This Agreement grants Franchisee the right to operate the Franchised Business at a single location within the Territory. Franchisor agrees that Franchisor will not, permit any other of our franchisees, to operate a franchised Duck Donuts outlet in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not expired or been terminated, subject to Section 3.2 below. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise Duck Donuts outlets around, bordering and adjacent to the Territory. Franchisee will be selling its products and services from a single location that will be determined by Franchisee with Franchisor’s prior written approval, which may be withheld or denied in Franchisor’s sole discretion. Franchisee is prohibited from selling and soliciting customers through alternative distribution channels as more fully specified herein.

3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights to offer (i) other products or services not offered under the Marks, (ii) other food service concepts under the Marks or other trademarks, and (iii) products or services through any channel in the Territory other than a dedicated Duck Donuts outlet, such as distribution through kiosks, carts, counters, stores-within-a-store or otherwise at retail, non-traditional or captive market locations, such as grocery stores, convenience stores, amusement or theme parks, sports stadiums and arenas, enclosed shopping centers, military bases, airports, train stations, and gas stations; and the Internet (“Alternate Distribution Channels”). Franchisee will receive no compensation for Franchisor’s sales through Alternate Distribution Channels made within the Territory, except as may be set forth in the Manual. Franchisee agrees that such implementation of Franchisor’s rights pursuant to Section 3.2 is deemed not to impair or injure Franchisee’s rights pursuant to Section 2 hereof.

4. TERM.

Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the “Term”).

5. SUCCESSOR AGREEMENT OPTIONS.

Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the “Successor Franchise Agreement”) for one (1) additional ten (10) year term. The term of such Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee of Seven Thousand Five Hundred Dollars (\$7,500.00).

5.1 Form and Manner of Exercise. If Franchisee desires to exercise Franchisee’s option to enter into a Successor Franchise Agreement, it shall be done in the following manner:

5.1.1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor’s then current Disclosure Document (including Franchisor’s then current franchise agreement).

5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then current Disclosure Document.

5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.

5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.

5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of Exercise. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.

5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the then current Term of this Agreement, whether or not such defaults were cured.

5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business at a new location.

5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against Duck Donuts Holdings, LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Attachment 3. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

5.2.6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require in order to cause the Franchised Business premises, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the renewal date.

5.2.7 Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.

5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new Duck Donuts franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then-current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.2 hereof that Franchisee desires to exercise Franchisee's option to enter into a Successor Franchise Agreement, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate successor term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then-current form of Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state-mandated notice periods.

5.4 Additional Reservation of Rights. Notwithstanding anything herein, to the contrary, Franchisor reserves the right not to enter into a Successor Franchise Agreement as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

6. FEES.

6.1 Initial Franchise and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Forty Thousand Dollars (\$40,000.00) (the "Initial Fee"). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, throughout the Term, a royalty fee equal to six percent (6%) of the Gross Sales, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Sales" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Sales shall include the full amount payable by Franchisee's customers, without deduction for Franchisee's delivery costs (including, but not limited to, charges by third-party delivery services) or for other write-offs; however, Gross Sales shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales does not include gift card purchases at the time of purchase, but Gross Sales does include the redemption amount of purchases made by gift card.

6.1.3 Gross Sales Reports. Franchisee shall, on the Sunday following the close of each calendar week (Monday through Sunday), furnish Franchisor with a report verifying Franchisee's Gross Sales at or from the Franchised Business and/or made pursuant to the rights granted hereunder during the preceding week (the "Gross Sales Report"). The Gross Sales Report shall be in such form and shall contain such information as the Franchisor may from time to time prescribe. Franchisor reserves the right to establish point of sale systems ("POS System") that Franchisor may require Franchisee to use from time to time in the

operation of the Franchised Business. At Franchisor's option, Franchisee shall submit the Gross Sales Report by an electronic transfer of data via the POS System at times and interims then specified by Franchisor.

6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Sales Report, pay Franchisor the Royalty Fee and Brand Fund Contribution, as defined and more particularly described in Article 13, then due. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 4, that allow Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House ("ACH") payments. Franchisee's failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. If Franchisee fails to timely report Gross Sales, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Royalty Fee payable. Franchisor shall reconcile amounts when Gross Sales are reported. Franchisor reserves the right to modify the method and frequency of collection of the Royalty Fee and Brand Fund Contribution upon forty-five (45) days' prior notice to Franchisee.

6.2 Late Fee. If the Royalty Fee, Brand Fund Contribution, or any Gross Sales Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of Two Hundred Dollars (\$200.00). This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee, the Brand Fund Contribution, and/or submit Gross Sales Reports in accordance with the terms of this Agreement.

6.3 Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of 12% per annum or at the highest rate permitted by law, whichever is lower.

6.4 Non-Sufficient Funds Fee. In the event any of Franchisee's checks are returned, or an electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Fifty Dollars (\$50.00) per occurrence. These non-sufficient funds fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.

6.5 Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

6.6 Internal Systems Fee. Franchisor reserves the right to impose an internal systems fee upon Franchisee, in an amount that Franchisor reasonably determines, for the development, adoption and/or use of new or improved internal systems technology for the benefit of the System and Franchised Business, including but not limited to, assigned phone numbers and email addresses required for use in the Franchised Business, a franchise portal, benchmarking platform or other operations or communications systems ("Internal Systems Fee"). In Franchisor's sole discretion, Franchisor may (i) increase the amount of the internal systems fees or (ii) replace the technology with different technology, developed by Franchisor or a third-party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto. Franchisee shall pay the Internal Systems Fee in the manner and frequency as reasonably determined by Franchisor.

7. TRAINING.

7.1 Initial Management Training Program. Franchisee (specifically including all Franchisee's principals) and Franchisee's general manager shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial management training program ("Initial Management Training Program") at least two (2) weeks (but no more than twelve (12) weeks, prior to the opening of the Franchised Business. The Initial Management Training Program consists of a course conducted at Franchisor's headquarters and/or an affiliate-owned or franchised outlet. Franchisee must at all times during the term of this Agreement have principals who have successfully completed the Initial Management Training Program to Franchisor's sole and complete satisfaction. No charge shall be made for up to four (4) individuals to attend the Initial Management Training Program prior to opening the Franchised Business ("Initial Trainees"). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.

7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Management Training Program. If the Initial Management Training Program is not satisfactorily completed or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Management Training Program cannot be satisfactorily completed by Franchisee and Franchisee's Principal(s), Franchisor may terminate this Agreement.

7.3 Opening Assistance. Immediately prior to the opening of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative(s) of Franchisor. The trainer(s) will provide on-site opening training, supervision, and assistance to Franchisee for up to seven (7) days at no charge to Franchisee. Franchisor will provide up to four (4) days for existing franchisees opening up additional shops.

7.4 Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time and as may be set forth in the Manual. If required by Franchisor, Franchisee, or Franchisee's Principals shall participate in the following additional training:

- (i) on-going training for up to five (5) days per year at a location designated by Franchisor; and
- (ii) an annual national business meeting or convention for up to three (3) days at a location designated by Franchisor.

Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a default of this Agreement. Franchisee or Franchisee's principal(s) shall be required to (i) pay a non-attendance fee and (ii) obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal and Franchisor's training personnel. Franchisee shall pay Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

7.5 On-Site Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Business location. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

7.6 Counseling and Assistance. In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, video conferencing, electronic communications, mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding training, marketing, operation issues, purchasing and inventory control, bookkeeping and System improvements.

8. FRANCHISED LOCATION REQUIREMENTS.

8.1 Site Selection.

8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site premises is accepted by Franchisor. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee must engage with our preferred real estate broker to begin the approved real estate process. Franchisee acknowledges that Franchisor's acceptance of a prospective site is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability for Franchisor. Franchisee releases Franchisor from any claims over the site location selection and evaluation by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Franchised Business.

8.1.2 Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its consent no later than ninety (90) days after the execution of this Agreement. Within thirty (30) days after receipt of this information and materials, the Franchisor will approve, or disapprove with comment, the proposed site as the location for the Franchised Business. No site may be used for the location of the Franchised Business unless it is accepted in writing by Franchisor.

8.1.3 Within one hundred twenty (120) days after Franchisor has consented to the site for the Franchised Business (or such longer period as Franchisor consents to in writing), Franchisee shall execute a lease therefore, as applicable, and obtain physical possession of the premises. Franchisee shall utilize our preferred law firm of record to facilitate a lease review prior to signing the lease. Any lease must include Franchisor's Collateral Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 5. Failure by Franchisee to acquire the site for the Franchised Business within the time and in the manner required herein shall constitute a material event of default under this Agreement.

8.1.4 Upon consent by Franchisor to the location for the Franchised Business, Franchisor shall set forth the premises address and Territory in Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, the Attachment 2 provided to Franchisee shall be deemed final.

8.2 Construction.

8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary as a result of any restrictive covenants or regulations relating to the Franchised Business premises. Prior to beginning the construction of the Franchised Business, Franchisee shall (a) use one of Franchisee's designated architects (b) adapt Franchisor's prototypical construction plans and specifications, provided to Franchisee, for the construction of the Franchised Business premises and submit such adapted plans and specifications to Franchisor for approval, (c) obtain Franchisor's approval of Franchisee's proposed contractor, which approval shall not be unreasonably withheld, (d) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (e) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained. In the event Franchisee does not use the services of Franchisor's designated architect, then, notwithstanding Franchisor's approval of Franchisee's proposed alternate architect, Franchisor may charge Franchisee a fee of Two Thousand Dollars (\$2,000.00) for Franchisor's designated architect to review Franchisee's adapted plans and specifications. Such a fee shall be payable upon written notice to Franchisee and payment thereof shall be a condition for Franchisor's approval of Franchisee's plans.

8.2.2 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling. Within a reasonable time after the date of completion of construction or remodeling, the Franchisor or its representative may, at its option, conduct a virtual or in-person inspection of the completed Franchised Business premises improvements.

8.2.3 Franchisee acknowledges and agrees that it will not open the Franchised Business for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within ninety (90) days after Franchisee has obtain possession of the Franchised Business premises, unless Franchisee obtains a written extension of such time period from Franchisor. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business, including installation and cleaning of equipment, fixtures, furnishings and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Management Training Program, as further set forth in Article 7, (iii) hire and train staff, as required, (iv) purchase and stock initial inventory, and (v) obtain all required licenses and insurance (as described in Article 15 hereof) to operate the Franchised Business. If

Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) within three hundred sixty-five (365) days following the date of this Agreement shall be deemed a material event of default under this Agreement.

8.4 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the premises of the Franchised Business at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and, if permitted, shall be at Franchisee's sole expense. In the event such permission is granted, Franchisee shall (i) Franchisee shall pay a relocation fee equal to Seven Thousand Five Hundred Dollars (\$7,500.00), (ii) secure and outfit the replacement premises in accordance with Sections 8.1 and 8.2 within one hundred twenty (120) days of Franchisor's consent, (iii) if feasible, continue to operate at the original premises during the construction of the replacement premises, and (iv) upon relocation, remove any signs or other property from the original Franchised Business premises which identified the original Franchised Business premises as part of the System. Failure to comply with the foregoing requirements shall be a default of this Agreement. Franchisor shall revise Attachment 2 to reflect the address of the new Franchised Business premises and, in Franchisor's sole discretion, any adjustment to the Territory.

9. MAINTENANCE AND IMPROVEMENT OF THE PREMISES AND SYSTEM.

9.1 Maintenance of Franchised Business Premises. Franchisee shall equip and maintain the Franchised Business premises to the standards of décor, sanitation, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct.

9.2 Inspections. Franchisee shall operate and maintain the Franchised Business and Franchised Business premises in conformance with all regulations and best practices for food and beverage storage, handling, preparation, service and disposal and in a manner that will ensure the highest rating possible for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

9.3 Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, design, display and storage equipment, POS Systems, and computer hardware and software, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.4 Trade Dress Modifications.

9.4.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior building designs, new interior decors, new color schemes, new or modified marks, and new furnishings (collectively, "Trade Dress Modifications").

9.4.2 No more than once in a five (5)-year period, at Franchisor's request, Franchisee shall refurbish the Franchised Business premises at Franchisee's sole expense, as required by Franchisor, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.4.3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on factors, including but not necessarily limited to, a franchisee's level of success, superior performance and outlet profitability.

10. FRANCHISOR'S OBLIGATIONS.

Franchisor and/or its designated representative will provide the services described below:

10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor shall also approve the site in accordance with Section 8.1.2.

10.2 Construction. Provide to Franchisee criteria and specifications for a Duck Donuts outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to required food storage and preparation, waste removal and ventilation systems. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business premises in accordance with Article 8.

10.3 Manual. Provide Franchisee access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.

10.4 Inspection. Inspection of the Franchised Business and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor.

10.5 Pre-Opening Requirements. Provide a written list of equipment, fixtures, furnishings, signage, supplies and products that will be required and/or recommended to open the Franchised Business for business.

10.6 Advertising Materials. Provide samples of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.

10.7 List of Supplies/Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of required and/or recommended products and services for System franchisees and a list of approved and/or recommended suppliers of such items. Franchisee acknowledges that Franchisor or Franchisor's affiliate(s) may be the sole approved supplier(s) of certain products and services that Franchisee is required to purchase to operate the Franchised Business

10.8 Training. The training programs specified in Article 7 herein.

10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business premises in accordance with the provisions of Article 7.

10.10 Brand Fund. Administer a Brand Fund in accordance with Section 13.3.

11. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

11.1 Best Efforts. Franchisee, including each of Franchisee's Principals covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:

11.2.1 Franchisee is duly organized and validly existing under the state law of its formation;

11.2.2 Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business premises and the Territory;

11.2.3 Franchisee's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;

11.2.4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and

11.2.5 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.3 Spousal Guaranty. If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 7 hereof.

11.4 Appointment of Manager.

11.4.1 Franchisee shall designate and retain at all times a general manager ("Duck Donuts Certified General Manager") to direct the operation and management of the Franchised Business outlet. Franchisee shall designate its General Manager prior to attending the Initial Management Training Program. The General Manager shall be responsible for the daily operation of the Franchised Business outlet. Unless otherwise permitted by Franchisor, the General Manager shall be, Franchisee, if Franchisee is an individual, or a Principal.

11.4.2 The Duck Donuts Certified General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

11.4.2.1 The Duck Donuts Certified General Manager shall meet Franchisor's standards and criteria for such individual, as set forth in the Manual..

11.4.2.2 The Duck Donuts Certified General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other business activity without the Franchisor's consent, which may be withheld in Franchisor's sole discretion.

11.4.2.3 The Duck Donuts Certified General Manager shall satisfy the training requirements set forth in Article 7.

11.4.3 If the Duck Donuts Certified General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Duck Donuts Certified General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement (including, but not limited to, completing all training and obtaining all certifications required by Franchisor). Until such replacement is designated, Franchisee shall provide for interim management of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.4.

11.5 Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, health and sanitation inspections, if required, fictitious name registrations, sales and other tax permits, fire and police department clearances, Americans With Disability Act compliance, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall further comply with all industry best practices with respect to the handling, storage, preparation, service and disposal of food and beverage products.

11.6 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which in any way relating to or affecting the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business premises, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment on any broadcast medium, except as directed by Franchisor.

11.7 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents included in Attachment 8 to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers, listings, and passwords and administrator rights for all email and social media accounts used or created by Franchisee. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.

11.8 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all tax returns and reports related to the Franchised Business filed by Franchisee with any state or federal taxing authority.

11.9 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

12. FRANCHISEE'S OPERATIONS.

12.1 Operation of Franchised Business Premises. In order to maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

12.1.1 Use only those furnishings, fixtures, décor, equipment, ingredients, recipes, supplies and signage that conform with Franchisor's specifications and/or which shall be purchased from only those vendors designated and approved by Franchisor;

12.1.2 Maintain and operate the Franchised Business premises in attractive condition and good repair, using Franchisee's best efforts to maintain a clean, enjoyable and inviting atmosphere therein in accordance with System standards, the Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;

12.1.3 Procure the necessary licenses or permits to allow food and beverage preparation and service and otherwise comply with all applicable governmental laws, ordinances, rules and regulations including those related to health and sanitation;

12.1.4 Maintain sufficient inventories of ingredients, supplies and merchandise held for resale, as prescribed by Franchisor;

12.1.5 Conduct sales in accordance with Franchisor's standards and specifications, which shall include offering food and beverages in the format(s) Franchisor requires, such as dine-in, take-out, curbside pickup, catering and delivery (either directly or through use of third-party delivery services and applications). Franchisee acknowledges and accepts that Franchisee may only engage in providing food and beverage service to end-consumers. Franchisee is expressly prohibited from selling products outside of the Franchised Business premises (excluding promotional and sales events in the Territory with Franchisor's prior approval), on the Internet (excluding fulfillment of online orders or through third-party delivery applications), to dealers and/or distributors for subsequent re-sale, and engaging in such sales shall be a material default of this Agreement;

12.1.6 Employ only engaging, outgoing and qualified individuals who are trained in accordance with Franchisor's standards, including but not limited to the protection of Franchisor's confidential and proprietary information. Franchisee and its employees will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service by Franchisee or its employees are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;

12.1.7 Permit Franchisor or its agents, to inspect the Franchised Business premises and any services, products or equipment, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;

12.1.8 Prominently display signs in and upon the Franchised Business premises using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Franchised Business premises or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have not been approved by Franchisor, or which have been improperly made or are outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Business premises or elsewhere and remove any objectionable or non-approved signs or advertising media and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort;

12.1.9 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks.

12.1.10 Accept and honor all loyalty cards, promotional coupons, or other System-wide offers, on a uniform basis, as accepted by other franchisees in the System.

12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures and chart of accounts specified by Franchisor. Franchisee agrees to purchase the POS System and other computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial data of Franchisee's Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's Proprietary Information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

12.2.2 Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.4 Franchisor reserves the right to require Franchisee to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds an understatement of any Gross Sales Report, Franchisee shall pay Franchisor the amounts due together with interest thereon at the rate provided herein, and if understated by three percent (3%) or more, Franchisee shall reimburse Franchisor for the cost of such examination. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer hardware, software and applications Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing. Franchisee acknowledges that such required software and applications may include assigned phone numbers and email addresses required for use in the Franchised Business, a System portal, benchmarking platform(s) or other operations or communications systems.

12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information

concerning Gross Sales. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.

12.3.3 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

12.3.4 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System, or for security purposes to protect the operation and integrity of Franchisor's systems.

12.3.5 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall utilize the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.

12.3.6 Franchisor has established a website that provides information about the System and the products and services offered by the Duck Donuts System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website linking Franchisee's Franchised Business premises. Franchisee has no ownership or other proprietary rights to Franchisor's website and Franchisee will lose all rights to such link to Franchisee's location upon expiration or termination of this Agreement for any reason.

12.3.7 In addition to Franchisee's obligation pursuant to Section 6.5 hereof, Franchisee shall pay all fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software and applications, installation costs and regularly recurring fees for software, Internet access, email addresses, telecommunication systems, license fees, help desk fees, and licensing or user-based fees.

12.4 Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business premises for Franchisee, Franchisee's personnel, agents, customers, and the general public. Any suggestions by Franchisor on such matters are for guidance only and not binding on Franchisee. All matters of safety and security are within Franchisee's discretion and control, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.

12.5 Prices. Subject to applicable law, Franchisor may recommend minimum and maximum prices for products and services offer by Franchisee. Franchisee shall have the right to sell its products and services at any price Franchisee determines. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.

12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a fee equal to the actual cost and expense for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. If Franchisor fails to respond to Franchisee's submission within said thirty (30) days, such item or supplier shall be deemed "disapproved." Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.

12.7 External Quality Assurance Services. Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, mystery shop programs and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's request and at Franchisee's sole cost and expense, Franchisee shall subscribe to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor.

12.8 Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

13. ADVERTISING, PROMOTIONS AND RELATED FEES.

13.1 Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee.

13.2 Local Advertising.

13.2.1 In addition to the ongoing advertising contributions set forth herein, and following the expenditures set forth in Section 13.2.3 below, Franchisee shall spend monthly, commencing on the second year and throughout the term of this Agreement, not less than one percent (1%) of Gross Sales per month on advertising for the Franchised Business in the Territory ("Local Advertising"). Franchisee shall

submit an annual Local Advertising plan to Franchisor by January 31 of each calendar year during the Term. Franchisor may require Franchisee to allocate to a regional advertising cooperative, as described in Section 13.4, up to one-half of Franchisee's required Local Advertising expenditures.

13.2.2 Within ten (10) business days of Franchisor's request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee's Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.2.3 Franchisee shall spend at least Twelve Thousand Five Hundred Dollars (\$12,500.00) on the approved local advertising and promotional plan with the agency of record in the Territory fourteen (14) days prior to and within the first sixty (60) days after the opening of the Franchised Business. Franchisee shall conduct Franchisee's grand opening campaign in accordance with plans approved by Franchisor.

13.3 Brand Fund.

13.3.1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising, marketing, and business system development and enhancements. Franchisee is required to contribute an amount equal to two percent (2%) of the Gross Sales generated weekly by Franchisee's Franchised Business to the Brand Fund ("Brand Fund Contribution"). Franchisor reserves the right, in Franchisor's sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed to three percent (3%) of the Gross Sales. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Sales, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Sales are reported.

13.3.2 Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Duck Donuts outlets operated by Franchisor or Franchisor's affiliates.

13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website, social media platforms, apps, and other technology for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend

that any part of the Brand Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating “Franchises Available.”

13.3.5 The Brand Fund will be operated solely as a conduit for collecting and expending the brand development contributions for the System. The Brand Fund will not be used to defray any of Franchisor’s general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor’s benefit.

13.3.6 Franchisor will prepare an unaudited annual statement of the Brand Fund’s operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee’s contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

13.4 Regional Advertising. Franchisor reserves the right to establish, in Franchisor’s sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee’s share of the total cost of cooperative advertising, in addition to required Brand Fund Contributions.

13.5 Directory Listings. At Franchisee’s sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor’s prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Instagram, Twitter, LinkedIn, YouTube, Tik Tok, blogs or any other social media and/or networking site other than Facebook without Franchisor’s prior written approval at any time, and use of any social media accounts shall be in strict accordance with Franchisor’s requirements. Franchisee shall provide Franchisor with all passwords and administrative rights to any and all social media accounts for the Franchised Business, and Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking whatever action as is necessary for the best interest of the System, if Franchisee fails to maintain such accounts in accordance with Franchisor’s standards.

13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Brand Book or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising, press releases, vendor-designed assets, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within ten (10) business days of Franchisor’s receipt thereof. If Franchisor fails to respond to Franchisee’s submission within ten (10) business days, such plans and materials shall be deemed

“disapproved”. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Duck Donuts brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

14. INTELLECTUAL PROPERTY.

14.1 Ownership.

14.1.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor’s affiliate(s) are the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Franchisor’s affiliate(s) claim copyrights on certain material used in the System, including but not limited to its website, documents, recipes, advertisements, promotional materials and the Manual, whether or not Franchisor and/or Franchisor’s affiliate(s) have filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor’s trade secrets, service marks, trade dress and proprietary systems are hereafter collectively referred to as the “Intellectual Property”.

14.1.2 As between Franchisor and Franchisee, Franchisor and/or Franchisor’s affiliate(s) are the owner of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor’s and/or Franchisor’s affiliate(s)’s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor’s and/or Franchisor’s affiliate(s)’s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business premises or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee’s use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and/or Franchisor’s affiliate(s), and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee’s use of the Intellectual Property.

14.4 Validity. Franchisee shall not contest the validity of, or Franchisor’s and/or Franchisor’s affiliate(s)’s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor’s and/or Franchisor’s affiliate(s)’s interest in, the Intellectual Property.

14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor’s and/or Franchisor’s affiliate(s)’s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor and/or Franchisor’s affiliate(s) with all assignments, affidavits, documents, information and assistance Franchisor and/or Franchisor’s affiliate(s) reasonably request to fully vest in Franchisor and/or Franchisor’s affiliate(s) all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor and/or Franchisor’s affiliate(s) to register, maintain and enforce such rights in the Intellectual Property.

14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "Duck Donuts" and design. Franchisee shall not use the Marks as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of Duck Donuts Holdings, LLC".

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent Duck Donuts franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property

or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity or corporation.

15. INSURANCE AND INDEMNIFICATION.

15.1 Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies, which shall be primary and non-contributory to any insurance that Franchisor may carry. Franchisee's insurance shall be provided by insurance companies with an A.M. Best rating of not less than A-VII, protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):

15.1.1 Liability. Commercial general liability insurance, including public liability, personal injury, and advertising injury in the amount of at least One Million Dollars (\$1,000,000) per occurrence and Two Million (\$2,000,000) aggregate, and products liability coverage in the amount of at least One Million Dollars (\$1,000,000) per occurrence;

15.1.2 Employment. Worker's compensation coverage in the limits required by state law, employer's liability insurance in the amount of Five Hundred Thousand Dollars (\$500,000) per accident shall be carried on all of Franchisee's employees, and crime and employee dishonesty in the minimum amount of Twenty-Five Thousand Dollars (\$25,000), as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

15.1.3 Property. Fire, vandalism, windstorm and hail, and extended coverage insurance for property damage with primary and excess limits of not less than the full replacement value of the leasehold improvements, equipment, furniture, fixtures, and inventory, or the amount required by the lease for the Franchised Business premises, whichever is greater.

15.1.4 Business. Business interruption insurance for a minimum of twelve (12) months, in an amount necessary to satisfy Franchisee's obligations under this Agreement and the lease for the Franchised Business outlet.

15.1.5 Automobile Insurance. Prior to operation of any vehicle on behalf of the Franchised Business, Franchisee must obtain comprehensive automobile liability insurance in the amount of at least a combined single limit for bodily injury and property damage of One Million Dollars (\$1,000,000).

15.1.6 Electronic Data Processing. Coverage for damage or loss of electronic and computer equipment, media and data in an amount of not less than Ten Thousand Dollars (\$10,000.00); and

15.1.7 Identity Theft, Forgery or Alteration. Coverage for identity forgery, alteration or theft in an amount of at least Two Thousand Five Hundred Dollars (\$2,500.00) per loss and Five Thousand Dollars (\$5,000.00) for expenses.

15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with

Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. Franchisee shall deliver the initial Certificate of Insurance no later than ten (10) days before Franchisee opens the Franchised Business. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) of the cost for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds.

15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS DUCK DONUTS HOLDINGS, LLC, DUCK DONUTS IP, LLC, AND ANY OF THEIR PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS (COLLECTIVELY REFERRED TO AS THE "DUCK DONUTS INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO FRANCHISEE'S FRANCHISE AND/OR THE OPERATION THEREOF, INCLUDING BUT NOT LIMITED TO, ANY CLAIM IN CONNECTION WITH FRANCHISEE'S EMPLOYEES OR AGENTS; FRANCHISEE'S COMPUTER SYSTEMS; FRANCHISEE'S PREPARATION, STORAGE, HANDLING AND/OR DISPOSAL OF FOOD OR BEVERAGE PRODUCTS; THE FRANCHISED BUSINESS PREMISES; OR FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL THE DUCK DONUTS INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE DUCK DONUTS INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE DUCK DONUTS INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE DUCK DONUTS INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE DUCK DONUTS INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE DUCK DONUTS INDEMNITEES.

16. TRANSFERS.

16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to a Duck Donuts franchise outlet during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the food preparation and beverage business or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principals of the business as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Neither Franchisee nor any Principal(s) shall directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law, unless Franchisee or Principal(s) first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee and Principal(s) have complied fully with this Agreement and subject to

Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor and be individuals of good character and otherwise meet Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction; Franchisor will provide up to four (4) days on-site upon turnover of operations to assist in transition. Franchisor will provide up to two (2) days on-site upon turnover of operations if shop is being sold to an existing franchisee who already owns an open shop;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;

16.3.5 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;

16.3.6 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;

16.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;

16.3.8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor; and

16.3.9 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.

16.3.10 Transferee shall spend at least Nine Thousand Dollars (\$9,000.00) on an approved local advertising and promotional plan with the marketing agency of record in the Territory within the first ninety (90) days after the effective date of the Transfer.

16.4 As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to Twenty Thousand Dollars (\$20,000); provided however, (i) for transfers to an existing franchisee in good standing with Franchisor, the transfer fee is Fifteen Thousand Dollars (\$15,000), (ii) for transfers of

ownership interest among existing principals, shareholders or members, or to add a business entity or new shareholder or member of the Franchisee entity and such transfer does not change management control of the Franchise, the transfer fee is One Thousand Five Hundred Dollars (\$1,500.00), and (iii) for a transfer to a spouse, parent or child upon death or permanent disability of Franchisee or Franchise's Principal, as the case may be, the transfer fee is Three Thousand Five Hundred Dollars (\$3,500.00).

16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.

16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (vi) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.

16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any Principal, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall transfer Franchisee's or Principal's interest in the Franchise within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such

person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Principals nor waive its right to demand that the transferee comply strictly with this Agreement.

16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the assets of the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee seeks and/or obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Collateral Franchisee uses to secure the SBA Financing, and Franchisor and Franchisee further agree that (i) the provisions of Attachment 10 are fully incorporated herein and applicable to Franchisor and Franchisee, (ii) Franchisor shall subordinate its security interest or other lien on Franchisee's Collateral to that of the lender of the SBA Financing and (iii) Franchisor waives the requirement of the written acknowledgement referenced in this Section.

17. DEFAULTS.

17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

17.2 Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.2.1 fails to acquire a site for the Franchised Business, complete construction of the Franchised Business premises, obtain all licenses and permits before opening, or open the Franchised Business within the time and in the manner specified in Article 8.

17.2.2 falsifies any report required to be furnished Franchisor hereunder;

17.2.3 ceases to operate the Franchised Business for a period of three (3) days or more; provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.

17.2.4 loses for any cause whatsoever the right of possession of the real property on which the Franchised Business is located; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4.

17.2.5 fails to restore the Franchised Business location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised Business location is rendered inoperable by any casualty or closed due to an order issued by a local authority having jurisdiction over the Franchised Business location;

17.2.6 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;

17.2.7 defaults under any lease or sublease of the real property on which the Franchised Business is located;

17.2.8 understates Gross Sales on two (2) occasions or more, whether or not cured on any or all of those occasions;

17.2.9 fails to comply with the covenants in Article 15;

17.2.10 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

17.2.11 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal as required by Section 16.7.

17.2.12 has misrepresented or omitted material facts in applying for, or in operating, the Franchise;

17.2.13 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks; or does anything (whether criminal or otherwise) to harm the reputation of the System or the goodwill associated with the Marks;

17.2.14 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

17.2.15 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;

17.2.16 creates a threat or danger to public health or safety from the construction, maintenance or operation of the Franchised Business;

17.2.17 refuses to permit Franchisor to inspect or audit Franchisee's books or records;

17.2.18 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);

17.2.19 fails to comply with the non-competition covenants in Section 19.5;

17.2.20 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected;

17.2.21 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;

17.2.22 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or

17.2.23 terminates this Agreement, including by ceasing to operate the Franchised Business, without cause.

17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.20 and/or 17.2.21;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether

monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.20.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business premises and exercise complete authority with respect to the operation thereof until such time as Franchisor determines that the default of Franchisee has been cured, and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor the then-current interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor during Franchisor's operation thereof as compensation, therefore. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorneys' fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

18. POST-TERMINATION.

18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:

18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current Duck Donuts owner, franchisee or licensee;

18.1.2 immediately and permanently cease to use the Marks, any imitation of any Mark, logos, copyrighted material or other intellectual property, confidential or proprietary material or indicia of a Duck Donuts outlet, or use any trade name, trade or service mark or other commercial symbol that suggests a current or past association with Franchisor, Franchisor's affiliates, or the System. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms and any other articles, which display the Marks;

18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums include all damages, costs and expenses, including reasonable attorneys' fees incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business outlet at the time of default;

18.1.5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;

18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to recipes, customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;

18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19; and

18.1.8 You acknowledge that if this Agreement is terminated as a result of your default, the termination may result in lost future revenue and profits to us, harm to the goodwill associated with Duck Donuts, and increased costs to us to redevelop or re-franchise the market in which the Duck Donuts Location is located. You and we agree that these damages are difficult to quantify or estimate. Therefore, in such event, you agree to pay us, as liquidated damages for the premature termination of this Agreement and not as a penalty for breaching this Agreement or in lieu of any other payment, a lump sum equal to (a) the number of months of the unexpired portion of your initial term under this Agreement, multiplied by (b) your average monthly Royalty and Brand Fund Contribution during the twelve-month period prior to termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months. You acknowledge and agree that such amount is a reasonable estimate of our lost profits following termination of this Agreement.

18.2 Right to Purchase.

18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after Franchisee has provided an itemization and valuation of assets, to purchase from Franchisee any or all of the furnishings, equipment (including any point of sale system), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two

(2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. The closing of the purchase shall take place no later than thirty (30) days after Franchisor notifies Franchisee that Franchisor exercises its option to purchase the assets.

18.2.2 With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.7, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor, its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4 Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

19.1 Operations Manual.

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and any and all Principals shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Franchisee's Principals, if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Principals, and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies and return and cease using any physical copy of the Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.1.5 If Franchisee loses, misplaces or otherwise requests a physical copy of the Manual, Franchisor, in its discretion, may provide such physical copy and Franchisee shall pay Franchisor the then-current replacement fee.

19.2 Confidential Information. Franchisee along with its Principals acknowledge and accept that during the term of this Agreement Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to, product recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and any Principal shall

not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

19.4 New Concepts. If Franchisee or any Principal develops any new concept, process, product, recipe, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, recipe or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.

19.5 Noncompetition Covenants. Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee's managers and employees. Franchisee and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and each Principal, if any, are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and each Principal, if any, shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts and other bakery treats ("Competitive Business"); (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Duck Donuts franchisees or Franchisor-affiliated outlets.

19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principals, if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner,

partner, director, officer, employee, consultant or agent or serve in any other capacity in any Competitive Business within ten (10) miles of the Territory or any Duck Donuts outlet location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Duck Donuts franchisees.

19.6 Reasonableness of Restrictions. Franchisee and each Principal, if any, acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, as the case may be, the opportunity to derive income from other endeavors.

19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and each Principal, if any, acknowledge that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and each Principal, if any, hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.

19.9 No Defense. Franchisee and each Principal, if any, expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

19.10 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors or third persons who will have access to Franchisor's confidential and proprietary information. Such covenants shall be substantially in the form set forth in Attachment 9 as revised and updated from time to time and contained in the Manual.

20. DISPUTE RESOLUTION.

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

20.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor

shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorney's fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

20.3 Arbitration.

20.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

20.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in Cumberland County, Pennsylvania, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

20.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

20.3.4 The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

20.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

20.3.6 Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

20.4 Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:

20.4.1 Franchisor's claims for injunctive or other extraordinary relief;

20.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

20.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;

20.4.4 disputes and controversies relating to actions to obtain possession of the premises of the Franchised Business; and

20.4.5 enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

20.5 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the Commonwealth of Pennsylvania. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the Commonwealth of Pennsylvania. Franchisee and its Principals, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Pennsylvania. Franchisee and its Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.6 Mutual Benefit. Franchisee, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, its Principals, if any, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

20.6 Waiver of Certain Damages. Franchisee and each Principal, if any, hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principals, if any, agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual direct compensatory damages sustained.

20.7 Injunctive Relief. Nothing herein contained (including, without limitation, Sections 20.1 through 20.3 above) shall bar Franchisor from the right to obtain immediate injunctive relief from any court of competent jurisdiction against threatened conduct by Franchisee that may cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

20.8 Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship with Franchisor will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.

20.9 Attorney's Fees. In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

21. GENERAL.

21.1 Relationship of the Parties.

21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in Franchisor's Operations Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

21.1.3 Franchisee's Employees. Franchisee acknowledges and agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of an outlet pursuant to the System and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not

be construed to allow a transfer of any interest of Franchisee or Principals, if any, in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

21.4 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and any Principals shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.

21.5 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

21.6 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

21.7 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business outlet approved by Franchisor shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the approved Franchised Business outlet.

21.8 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

21.9 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the Commonwealth of Pennsylvania, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Attachments, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to

it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature.

21.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

21.11 Survival. Any obligation of Franchisee or any Principal that contemplates the performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.

21.12 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, provided that nothing in this Agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

The parties hereto have executed this Franchise Agreement on the day and year first above written.

FRANCHISEE (Entity):

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Name: _____

Title: _____

By: _____

Name: Gary Hitterdal

Title: Chief Operating Officer

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

ATTACHMENT 1

TRADEMARK

Service Marks –

DUCK DONUTS



ATTACHMENT 2

TERRITORY DESCRIPTION AND FRANCHISED BUSINESS LOCATION

(If there is no Accepted Location on the Effective Date, include: **TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A DUCK DONUTS LOCATION IS ACCEPTED BY FRANCHISOR IN THE NON-EXCLUSIVE SITE SEARCH AREA OF _____.)

Territory (insert map and/or define by zip codes):

Franchised Business Address:

ATTACHMENT 3

GENERAL RELEASE

_____ (“Franchisee”) and its Principal(s):

on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them (collectively, the “Franchisee Releasors”), hereby release, discharge and hold harmless Duck Donuts Holdings LLC (“Franchisor”), its parents, subsidiaries, affiliates, and each of their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the “Franchisor Releasees”) from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ between Franchisee, Principal(s) and Franchisor and any related agreements and the relationship created thereby, or the Franchised Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the “Franchisee Released Claims”).

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Franchisee’s Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

FRANCHISEE:

PRINCIPAL:

By: _____

(Print Name, Title)

(Print Name)

Date: _____

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

ATTACHMENT 4

**AUTHORIZATION AGREEMENT
AUTOMATIC DEPOSITS (ACH WITHDRAWALS)**

Franchisor Name: **Duck Donuts Holdings, LLC**

I (We) hereby authorize Duck Donuts Holdings, LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: _____ Branch: _____

City: _____ State: _____ Zip: _____ Phone: _____

ACH/Routing Number: _____ Account Number: _____
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

Print Franchisee / Account Holder Name

Print Franchisee/Co-Account Holder Name

Franchisee/ Account Holder Signature-Date
Signature-Date

Franchisee/Co-Account Holder

Daytime Phone Number

Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to:

Duck Donuts Holdings, LLC
1215 Manor Drive, Suite 302
Mechanicsburg, PA. 17055

ATTACHMENT 5

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned _____ ("Assignor") hereby assigns and transfers to Duck Donuts Holdings, LLC, a Delaware limited liability company with a notice address of 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Duck Donuts outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

DATED: _____ By: _____

(Print Name, Title)

DATED: _____

DATED: _____

CONSENT AND AGREEMENT OF LANDLORD

to that Conditional Assignment of Lease from _____ (Assignor) to Duck Donuts Holdings, LLC (Assignee) dated _____ for the property known as _____.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as a Duck Donuts outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: _____

LANDLORD:

ATTACHMENT 6

**STATEMENT OF OWNERSHIP INTERESTS IN
FRANCHISEE/FRANCHISEE ENTITY**

Name

Percentage of Ownership

ATTACHMENT 7

SPOUSE GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on _____, (the “Effective Date”) to Duck Donuts Holdings, LLC, a Delaware limited liability company (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the Effective Date hereof (the “Franchise Agreement”) with _____, a(n) _____, and _____ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty is in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

Signature
Name: _____
Address: _____

ATTACHMENT 8

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT (the “Agreement”) is made and entered into this day of _____ (the “Effective Date”), by and between Duck Donuts Holdings, LLC, a Delaware limited liability company with its principal place of business at 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055 (the “Franchisor”), and _____, a(n) _____, with its principal place of business located at _____ and _____’s principal(s), _____, an individual, residing at _____, and _____, an individual, residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Agreement as the “Franchisee”.

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for an Duck Donuts business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, use software, and use telephone listings linked to the Duck Donuts brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. Internet Advertising and Telephone Listings

2.1 Interest in Web Sites, Social Media Accounts, Other Electronic Listings and Software. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, the right to hyperlink to certain web sites and listings on various internet search engines, and the right to use certain software (collectively, “Electronic Advertising and Software”) related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, other listing agencies and software companies (collectively, the “Internet and Software Companies”) with which Franchisee has Electronic Advertising and Software: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Software to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Software, Franchisee will immediately direct the Internet and Software Companies to terminate such Electronic Advertising and Software or will take such other actions with respect to the Electronic Advertising and Software as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet and Software Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Software to Franchisor, or alternatively, to direct the Internet and Software Companies to terminate any or all of the Electronic Advertising and Software;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet and Software Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Software Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and Software and/or Telephone Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet and Software Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet and Software Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, without regard to the application of Pennsylvania conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal , Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ATTACHMENT 9

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this day of _____, by _____, a(n) _____ (“Franchisee”), a franchisee of Duck Donuts Holdings, LLC, a Delaware limited liability company (“Franchisor”), and _____, an individual (“Covenantor”), in connection with a Franchise Agreement.

WHEREAS, Franchisee and Franchisor are parties to a franchise agreement dated _____ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain trademarks, including, the trademark “Duck Donuts” and design, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of Duck Donuts outlets;

WHEREAS, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Duck Donuts operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

WHEREAS, the Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

WHEREAS, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Confidentiality Agreement.

a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

b. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Franchised Business.

d. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

2. Covenants Not to Compete.

a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Duck Donuts outlet or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts and other bakery treats.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the Duck Donuts System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational, or supervisory capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts and other bakery treats within the within ten (10) miles of Franchisee's Territory or any Duck Donuts location.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

3. General.

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

d. Any failure by Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

e. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REFERENCE TO PENNSYLVANIA CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE COMMONWEALTH OF PENNSYLVANIA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY PENNSYLVANIA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN PENNSYLVANIA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

f. The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

g. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

h. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

i. All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

If directed to Covenantor:

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

j. Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

k. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

By: _____

Name: _____

Title: _____

COVENANTOR:

Name: _____

ATTACHMENT 10

PROVISIONS APPLICABLE TO SBA FINANCING

For the purpose of Franchisee's application for funding from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (the "SBA"), and at all times that the SBA has an interest in any SBA-assisted financing provided to Franchisee, Franchisor and Franchisee agree as follows:

1. With respect to a partial interest in the Franchised Business, Franchisor may exercise its option to purchase or its right of first refusal only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.

2. If Franchisor's consent is required for any transfer (full or partial) of the Franchised Business, Franchisor will not unreasonably withhold such consent.

3. If Franchisee owns the real estate where the Franchised Business operates, Franchisee will not be required to sell the real estate upon default or termination of the Franchise Agreement, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

4. If Franchisee owns the real estate where the Franchised Business operates, Franchisor has not and will not during the Term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions. If any such restrictions are currently recorded against Franchisee's real estate, they must be removed in order for Franchisee to obtain SBA financial assistance.

5. If Franchisee owns the real estate where the Franchised Business operates, the right of Franchisor to assume Franchisee's lease has not and will not during the Term of the Franchise Agreement be recorded against the real estate and may not include any attornment language unless it is subordinated to any SBA financial assistance.

6. For other than regularly scheduled payments and payments otherwise authorized in the Franchise Agreement, Franchisor does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee's bank account.

7. The Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business. Meaningful oversight includes the authority to:

- i. Approve the annual budget of the Franchised Business;
- ii. Have control over the bank accounts of the Franchised Business; AND
- iii. Have oversight over the employees operating the Franchised Business (who must be employees of Franchisee).

Franchisee agrees that the Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business by requiring Franchisee to comply with quality, marketing, and operations standards that govern Franchisee's use of Franchisor's System.

EXHIBIT C
MULTI-UNIT DEVELOPMENT AGREEMENT

DUCK DONUTS HOLDINGS, LLC

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ATTACHMENTS:

ATTACHMENT 1: DEVELOPMENT AREA

ATTACHMENT 2: DEVELOPMENT SCHEDULE

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this “Agreement”) is being entered into this day of _____, (the “Effective Date”) by and between Duck Donuts Holdings, LLC, a Delaware limited liability company with a principal business address of 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055 (herein “Franchisor”) and _____, an individual residing at _____ and _____, an individual residing at _____ (herein “Developer”).

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established high quality retail outlets selling fresh made-to-order donuts under the Duck Donuts trademarks, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the Duck Donuts service mark, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Pursuant to franchise agreements, Franchisor licenses to others the right to operate Duck Donuts restaurant outlets, using the Marks and System, in strict conformity therewith, which may be changed, improved and further developed by Franchisor from time to time (each a “Franchise Agreement”).

Developer understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating franchised businesses of the System in conformity with Franchisor’s standards and specifications.

Developer desires to obtain the right to further develop and expand the System in accordance with the development schedule described in Section 5.2 and Attachment 2 hereof (the “Mandatory Development Schedule”) within the development area described in

Attachment 2 (the "Development Area"), under the System and Marks, on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1. RECITATIONS. The Recitations set out above form part of this Agreement.

2. GRANT OF DEVELOPMENT RIGHTS.

2.1 Grant. Franchisor hereby grants to Developer, and the Developer hereby accepts from the Franchisor, on the terms and conditions set forth in this Agreement, which includes, but is not limited to, the execution of a Franchise Agreement pursuant to Section 4.2 hereof, the right to develop, construct, open and operate one (1) Duck Donuts outlet within the Development Area set forth in Attachment 2. Developer shall be granted rights to establish additional Duck Donuts restaurant outlets in the Development Area, up to the total number of outlets set forth in the Mandatory Development Schedule set forth in Attachment 2 hereof, subject to Developer's full compliance with all conditions precedent to the grant of such rights outlined below, which rights shall be exercised in accordance with Sections 5.1 and 5.4 hereof.

2.2 Reservation of Rights. Notwithstanding the provisions of Section 2.1 above, Developer understands and agrees Franchisor fully reserves all other rights, other than as specified in this Agreement, for sales, solicitation and distribution of Duck Donuts products and services within or outside of the Development Area. This reservation of Franchisor's rights includes, but is not limited to, Franchisor's right to the rights to offer (i) other products or services not offered under the Marks, (ii) other food service concepts under the Marks or other trademarks, and (iii) products or services through any channel in the Development Area other than a dedicated Duck Donuts outlet, such as distribution through kiosks, carts, counters, stores-within-a-store or otherwise at retail, non-traditional or captive market locations, such as grocery stores, convenience stores, amusement or theme parks, sports stadiums and arenas, enclosed shopping centers, military bases, airports, train stations, and gas stations; and the Internet

2.3 No License to System and Marks. Developer expressly acknowledges that this Agreement is not a Franchise Agreement and does not grant to Developer any right or license to operate a Duck Donuts outlet, distribute any product or service, or use the Marks. This Agreement sets forth conditions which, if fully satisfied, confer upon Developer the rights to enter a Franchise Agreement with Franchisor to establish one or more Duck Donuts outlets in the Development Area only. Developer's rights to open and operate a Duck Donuts outlet and use the System and Marks shall be derived only through the execution of a Franchise Agreement for each Duck Donuts outlet to be established in the Development Area.

3. TERM. Unless sooner terminated in accordance with this Agreement, the term of this Agreement and all rights granted by Franchisor under this Agreement shall expire on the date on which Developer successfully and in a timely manner has complied with all of Developer's obligations hereunder and has completed the development obligations in accordance with the Development Schedule.

4. DEVELOPMENT AND FRANCHISE FEES.

- 4.1 Multi-Unit Development Fee. In consideration of the rights granted under this Agreement, Developer shall pay Franchisor a development fee equal to Sixty Thousand Dollars (\$60,000.00) for two (2) Duck Donuts outlets, plus an additional Ten Thousand Dollars (\$10,000.00) for each additional Duck Donuts outlet, Developer agrees to develop as set forth on the Mandatory Development Schedule (the "Development Fee"). The Development Fee is fully earned at the time this Multi-Unit Development Agreement is signed and is not refundable under any circumstances. Developer shall pay the full amount of the Development Fee to Franchisor upon Developer's execution of this Agreement.
- 4.2 Application of Development Fee. Contemporaneous with the execution of this Agreement, Developer shall execute the initial Franchise Agreement for the first Duck Donuts outlet to be established pursuant to the Mandatory Development Schedule. Developer shall receive a Forty Thousand Dollar (\$40,000.00) credit from the Development Fee, which shall be payment in full of the Initial Franchise Fee due under the initial Franchise Agreement. Upon the execution of the second Franchise Agreement, Developer shall receive an Twenty Thousand Dollar (\$20,000.00) credit from the Development Fee, which shall be applied to the discounted Initial Franchise Fee of Thirty Thousand Dollars (\$30,000.00) then due and Developer shall pay the remaining balance of Ten Thousand Dollars (\$10,000.00). Upon the execution of the third and each additional Franchise Agreement pursuant to the Mandatory Development Schedule, Developer shall receive a Ten Thousand Dollar (\$10,000.00) credit from the Development Fee, which shall be applied to the discounted Initial Franchise Fee of Thirty Thousand Dollars (\$30,000.00) then due and Developer shall pay the remaining balance of Twenty Thousand Dollars (\$20,000.00). Upon Franchisor's approval, Developer may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Duck Donuts outlet pursuant thereto, provided that Developer shall also personally sign such Franchise Agreement as a principal.

5. EXERCISE OF DEVELOPMENT RIGHTS.

- 5.1 Valid Exercise. Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Duck Donuts outlet for which a development right is granted. Developer shall execute and deliver to Franchisor, concurrently with the execution and delivery of this Agreement, Franchisor's current form of Franchise Agreement for the first Duck Donuts outlet to be established by Developer pursuant to the Mandatory

Development Schedule. For each subsequent Duck Donuts outlet to be established hereunder, Developer shall execute and deliver to Franchisor Franchisor's then-current form of Franchise Agreement, which shall be presented to Developer together with Franchisor's then-current Franchise Disclosure Document. The then-current form of the Franchise Agreement may differ from the current form of Franchise Agreement; provided however, the initial franchise fee for each additional outlet shall be the applicable amount set forth in in Section 4.2 hereof. Further, Developer acknowledges and agrees that Developer shall not receive any initial training related to each additional Duck Donuts outlet. The developer hereby waives all obligations by Franchisor to provide any training to Developer contained in each Franchise Agreement, other than the initial Franchise Agreement executed concurrently with this Agreement, by and between Franchisor and Developer. Developer hereby acknowledges and agrees that the training Developer receives pursuant to the initial Franchise Agreement executed concurrently with this Agreement is sufficient to allow Developer to construct, equip, open and operate each of Developer's Duck Donuts outlets in the Development Area.

- 5.2 Mandatory Development Schedule. Subsequent to Developer's signing of this Agreement and the initial Franchise Agreement, and provided that all conditions in Section 5.4 hereof are satisfied or waived, no later than one (1) year from the Effective Date of this Agreement, Developer shall execute an additional Franchise Agreement for the development of the second Duck Donuts outlet to be opened under the Mandatory Development Schedule and pay the balance of the Initial Franchise Fee for such second outlet. Provided that all conditions in Section 5.4 hereof are satisfied or waived, upon the second anniversary of the Effective Date of this Agreement and every anniversary of the Effective Date thereafter, Developer shall execute an additional Franchise Agreement for the development of the next Duck Donuts outlet to be opened under the Mandatory Development Schedule and pay the balance of the Initial Franchise Fee for each subsequent outlet. Notwithstanding the foregoing, Developer shall open the Duck Donuts outlets in accordance with the Mandatory Development Schedule described in Attachment 2 hereof.

Developer acknowledges and agrees that the terms of the Mandatory Development Schedule are reasonable and viable based upon Developer's independent investigation and analysis. Failure by Developer to adhere to the Mandatory Development Schedule (including any extensions thereof approved by Franchisor in writing pursuant to Section 5.3 below) shall constitute a material event of default under this Agreement.

- 5.3 Extension of Mandatory Development Schedule. If Developer is unable to meet the Mandatory Development Schedule for any outlet, Developer may seek a reasonable extension from Franchisor. Any request for an extension must be in writing and submitted to Franchisor at least sixty (60) days prior to the Mandatory Open Date for such an outlet. Franchisor shall not unreasonably withhold consent for such reasonable extension provided that Developer has (i) submitted its extension request in a timely manner; (ii) demonstrated diligent efforts to meet the original Mandatory

Open Date; and (iii) has at all times acted in good faith and is otherwise fulfilling its obligations under this Agreement.

5.4 Conditions to Exercise Developer's Rights. All of the following conditions must be satisfied or waived, in Franchisor's sole discretion, before Franchisor grants Developer the right to develop an additional Duck Donuts outlet in accordance with Section 4.2 hereof and pursuant to a Franchise Agreement:

5.4.1 Developer shall (i) request Franchisor's then-current Franchise Disclosure Document, (ii) submit to Franchisor all information and other documents requested by Franchisor prior to and as a basis for the issuance of Franchise Agreements in the System, (iii) submit to Franchisor all financial statements reasonably requested by Franchisor, and (iv) satisfy Franchisor's then-current financial criteria.

5.4.2 Developer shall be in full compliance with this Agreement, the Mandatory Development Schedule, and all Franchise Agreements with Franchisor and any other agreement with Franchisor or Franchisor's affiliates;

5.4.3 Developer has demonstrated the management skills necessary for competent operation, organization, customer service and record keeping of an additional Duck Donuts outlet as determined by Franchisor, in Franchisor's sole discretion.

5.5 Termination for Failure of Condition. Notwithstanding anything to the contrary contained herein, in the event that Franchisor determines, in Franchisor's sole and absolute discretion, that any condition set forth in Section 5.4 hereof cannot be satisfied, Franchisor may terminate this Agreement upon written notice to Developer. Termination of this Agreement in accordance with this Section 5.5 shall have no effect on the validity of any other agreement between Franchisor and Developer, provided that Developer is in full compliance therewith.

6. TRANSFER

6.1. Transfers by Franchisor.

6.1.1. Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Developer's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some

or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

6.1.2. Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Developer acknowledges may be within the Development Area, proximate thereto, or proximate to any of Developer's locations).

6.1.3. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor or any of its affiliates to remain in any line of business or to offer or sell any products or services to Developer.

6.2 Restrictions on Transfers by Developer. Developer's rights and duties under this Agreement are personal to Developer, and Franchisor has made this Agreement with Developer in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Developer. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

6.3 Transfers by Developer. Developer shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right granted or interest herein or hereunder (a "Transfer") or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless Developer first obtains the written consent of Franchisor, which Franchisor may or may not grant in Franchisor's sole discretion, and subject to the following:

6.3.1 The proposed transferee must be an individual of good moral character and otherwise meet Franchisor's then-applicable standards for multi-unit franchisees.

- 6.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate multiple Duck Donuts outlets and to comply with this Agreement;
- 6.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;
- 6.3.4 Developer has paid all amounts owed to (i) Franchisor pursuant to this Agreement and all Franchise Agreements and other agreements between Franchisor and/or Franchisor's affiliates and Developer and (ii) third-party creditors;
- 6.3.5 The transferee has executed Franchisor's then-standard form of Multi-Unit Development Agreement, which may have terms and conditions different from this Agreement, for a term no less than the unexpired term of future development obligations due pursuant to the Mandatory Development Schedule of this Agreement;
- 6.3.6 Developer and the transferee shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Developer agrees to subordinate any claims Developer may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;
- 6.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the transferee's development obligations. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of the transferee's decision to purchase the Developer's development rights on such terms and conditions. The developer shall provide Franchisor with all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer; and
- 6.3.8 If Developer, through Developer or any entity, finances any part of the sale price of the Transfer, Developer agrees that all obligations of the transferee under any notes, agreements or security interests to Developer or Developer's entity will be subordinate to the transferee's obligations to Franchisor.

6.4 Transfer Fee. As a condition to any Transfer, Developer shall pay Franchisor a transfer fee equal to Fifteen Thousand Dollars (\$15,000.00); provided however, (i) for transfers to an existing Duck Donuts area developer or franchisee, who is in good standing with Franchisor, the transfer fee is Ten Thousand Dollars (\$10,000.00), (ii) for transfers among the individuals named as Developer in the introductory paragraph of this Agreement, the transfer fee is Two Thousand Dollars (\$2,000.00), and (iii) for a transfer to a spouse, parent or child upon death or permanent disability of Developer, the transfer fee is Two Thousand Five Hundred Dollars (\$2,500.00).

6.5 Franchisor 's Right of First Refusal.

6.5.1 If Developer wishes to transfer all or part of his or her interest in this Agreement pursuant to any bona fide offer received from a third party to purchase such interest, then Developer shall promptly notify Franchisor in writing of each such offer and shall provide such information and documentation relating to the offer as Franchisor may require.

6.5.2 Franchisor has the right, exercisable by written notice to Developer within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement for the price and on the terms and conditions contained in the offer.

6.5.3 Developer further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from Developer all customary representations and warranties given by a seller of franchise development rights.

6.5.4 If Franchisor does not exercise its right to buy within thirty (30) days, Developer may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor 's prior written approval pursuant to Section 6.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

6.6 Death or Permanent Disability. The grant of rights under this Agreement is personal to Developer, and on the death or permanent disability of Developer, the executor, administrator, conservator or other personal representative of Developer will transfer Developer's interest in this Agreement within six (6)

months from the date of death or permanent disability to a third party approved by Franchisor. A transfer under Section 6.6, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 6 and unless transferred by gift, devise or inheritance, subject to the terms of Section 6.5 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Developer from supervising the development and operation of Developer's Duck Donuts outlets continuously for six (6) months from its onset.

7. DEFAULT AND TERMINATION.

7.1 Default and Automatic Termination. Developer shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if Developer files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing his or her inability to pay debts when due; or if Developer is adjudicated a bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against any of Developer's Duck Donuts outlet premises or equipment is instituted against Developer and not dismissed within thirty (30) days.

7.2 Defaults With No Opportunity to Cure. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon notice to Developer, if Developer:

7.2.1 has misrepresented or omitted material facts in applying for the development rights granted hereunder;

7.2.2 falsifies any report required to be furnished Franchisor hereunder;

7.2.3 fails to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of Developer's Duck Donuts outlets, including, but not limited to, the failure to pay taxes;

- 7.2.4 fails to develop the Duck Donuts outlets in accordance with the Mandatory Development Schedule.
 - 7.2.5 attempts a Transfer in violation of the provisions of Article 6 of this Agreement;
 - 7.2.6 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything that may harm the reputation of the System or the goodwill associated with the Marks;
 - 7.2.7 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;
 - 7.2.8 fails to comply with the non-disclosure and non-competition covenants in Article 8 hereof;
 - 7.2.9 defaults, or an affiliate of Developer defaults, under any other agreement, including any Franchise Agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or
 - 7.2.10 terminates this Agreement without cause.
- 7.3 Curable Defaults. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Developer fails to cure the default within the time period set forth in this Section 7.3, effective immediately upon notice to Developer, if Developer:
- 7.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Section 7.2;
 - 7.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 7.1 and 7.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably

required assuming Developer proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 7.2.

- 7.4. Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Developer shall immediately terminate and Developer shall (i) immediately cease all development operations pursuant to this Agreement; and (ii) comply with the non-disclosure and non-competition covenants contained in Article 8.

8. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

- 8.1 Confidential Information. Developer acknowledges and accepts that during the term of this Agreement, Developer will have access to Franchisor's trade secrets, including, but not limited to, product recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Developer shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for Developer's own benefit, any Confidential Information that may be communicated to Developer or of which Developer may be apprised in connection with the development of Duck Donuts outlets under the terms of this Agreement. Developer shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person, without Franchisor's prior written consent. The covenant in this Section 8.1 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Developer.
- 8.2 Protection of Information. Developer shall take all steps necessary, at Developer's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Developer finds that any Confidential Information has been divulged in violation of this Agreement.
- 8.3 Noncompetition Covenants. Developer acknowledges that, pursuant to this Agreement and the Franchise Agreement(s), Developer will receive valuable

training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Developer. Developer acknowledges that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to him or her in the development and operation of Duck Donuts outlets, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Developer is entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Developer covenants that, except as otherwise approved in writing by Franchisor:

8.3.1 During the term of this Agreement, Developer shall not, either directly or indirectly, for himself or herself or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Developer's Duck Donuts outlets or of other developers or franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business that derives more than ten percent (10%) of its gross revenue from the sale of doughnuts and other bakery treats ("Competitive Business"); or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Duck Donuts developers or franchisees or Franchisor-affiliated outlets.

8.3.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Developer shall not, either directly or indirectly, for himself or herself or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of Developer's Duck Donuts outlets or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any Competitive Business within ten (10) miles of the Development Area or any Duck Donuts location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Duck Donuts developers or franchisees.

8.4 Reasonableness of Restrictions. Developer acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Developer since Developer has other

considerable skills, experience and education which afford Developer the opportunity to derive income from other endeavors.

8.5 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 8 or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees to forthwith comply with any covenant as so modified.

8.6 Injunctive Relief. Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer hereby consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement.

8.7 No Defense. Developer expressly agrees that the existence of any claims he or she may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

9. INDEMNIFICATION. TO THE FULLEST EXTENT PERMITTED BY LAW, DEVELOPER AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS DUCK DONUTS HOLDINGS, LLC, DUCK DONUTS IP, LLC, AND ANY OF THEIR PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "DUCK DONUTS INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE DEVELOPMENT, OPERATION, CONDITION, OR ANY PART OF ANY OF DEVELOPER'S DUCK DONUTS OUTLETS TO BE DEVELOPED HEREUNDER, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO ANY OF SUCH DUCK DONUTS OUTLETS, WHETHER CAUSED BY DEVELOPER'S AGENTS OR EMPLOYEES, OR ARISING FROM DEVELOPER'S ADVERTISING OR BUSINESS PRACTICES. DEVELOPER AGREES TO PAY FOR ALL THE DUCK DONUTS INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE

INDEMNIFICATION GRANTED BY DEVELOPER HEREUNDER. THE DUCK DONUTS INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE DUCK DONUTS INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. DEVELOPER AGREES THAT TO HOLD THE DUCK DONUTS INDEMNITEES HARMLESS, DEVELOPER WILL REIMBURSE THE DUCK DONUTS INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE DUCK DONUTS INDEMNITEES.

Initial

10. DISPUTE RESOLUTION

10.1 Internal Dispute Resolution. Developer shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 11.7 below. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

10.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 10.1 hereof shall be submitted to non-binding mediation. Developer shall provide Franchisor with written notice of Developer's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Developer's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

10.3 Arbitration.

10.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 10.4, any dispute between Franchisor and Developer arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance

with Sections 10.1 or 10.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

10.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 10 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in Cumberland County, Pennsylvania, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Developer is then located.

10.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Developer, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

10.3.4 The provisions of this Section 10.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

10.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

10.3.6 Except as expressly required by law, Franchisor and Developer shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

10.4 Exceptions. Notwithstanding the requirements of Sections 10.2 or 10.3, the following claims shall not be subject to mediation or arbitration:

- 10.4.1 Franchisor's claims for injunctive or other extraordinary relief;
- 10.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;
- 10.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks; and
- 10.4.4 enforcement of Developer's post-termination obligations, including but not limited to, Developer's non-competition covenants.
- 10.5 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in the Commonwealth of Pennsylvania. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the Commonwealth of Pennsylvania. Developer, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Pennsylvania. Developer hereby waives all questions of personal jurisdiction for the purpose of carrying out this provision.
- 10.6 Mutual benefit. Developer and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 10.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Developer and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.
- 10.7 Waiver of Jury Trial and Certain Damages. Developer hereby waives, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Developer agrees that in the event of a dispute, Developer shall be limited to the recovery of any actual damages sustained.
- 10.8 Limitations of Claims. Any and all claims asserted by Developer arising out of or relating to this Agreement or the relationship between the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Developer knew or should have known of the facts giving rise to such

claims.

10.9 Attorneys' Fees. In the event of any action in law or equity by and between Franchisor and Developer concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

10.10 Survival. The provisions of this Article 10 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Developer of his/her respective interests in this Agreement.

11. GENERAL

11.1 Independent Licensee. Developer is and shall be an independent licensee under this Agreement, and no partnership shall exist between Developer and Franchisor. This Agreement does not constitute Developer as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Developer is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Developer agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other developers or franchisees of Franchisor. Pursuant to the above, Developer agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees relative to assignment or the transfer of right to develop and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the development and operation of the Duck Donuts outlets.

11.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Developer and his or her respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Developer in this Agreement, except in accordance with Article 6 hereof.

11.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

11.4 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the

parties concerning the same subject matter, and superseding all prior written or oral representations made to Developer, except the representations made to Developer in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

- 11.5 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Developer shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named Developer, if more than one person is so named.
- 11.6 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 11.7 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing.
- 11.8 Effect of Waivers No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Developer shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind.
- 11.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 7 shall not discharge or release Developer from any liability or obligation then accrued, or any liability or

obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

- 11.10. Consent to Do Business Electronically. The parties to this Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the Commonwealth of Pennsylvania, the parties hereby affirm to each other that they agree with the terms of this Agreement, and by attaching their signature electronically to this Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to this Agreement can rely on an electronic signature as the respective party's signature.
- 11.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.
- 11.10 Survival. Any obligation of Developer that contemplates performance of such obligation after termination, expiration or transfer of this Agreement shall be deemed to survive such termination, expiration or transfer.

The parties hereto have executed this Multi-Unit Development Agreement in on the
day and year first above written.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By:_____

Gary Hitterdal , Chief Operating Officer
(Print Name, Title)

DEVELOPER:

(Print Name)

DEVELOPER:

(Print Name)

ATTACHMENT 1

DEVELOPMENT AREA

(insert map and/or define by zip codes):

ATTACHMENT 2

DEVELOPMENT SCHEDULE

| Outlet for Development | Mandatory Open Date |
|-------------------------------|--|
| 1 | 12 months following the Effective Date |
| 2 | 24 months following the Effective Date |
| 3 (if applicable) | 36 months following the Effective Date |
| 4 (if applicable) | 48 months following the Effective Date |

EXHIBIT D
FINANCIAL STATEMENTS

DUCK DONUTS HOLDINGS, LLC
AND SUBSIDIARIES

DECEMBER 31, 2024

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members
Duck Donuts Holdings, LLC and Subsidiaries
Mechanicsburg, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Duck Donuts Holdings, LLC and Subsidiaries (a Limited Liability Company) which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of changes in members' equity, income, and cash flows for the years ended December 31, 2024 and 2023, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duck Donuts Holdings, LLC and Subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their 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 Duck Donuts Holdings, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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.

Martin M. Sacks + Associates

February 28, 2025

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash..... | \$ 1,046,430 | \$ 1,735,456 |
| Accounts Receivable..... | 810,427 | 766,229 |
| Prepaid Expenses..... | 235,969 | 197,118 |
| Prepaid Federal and State Income Taxes - NOTE 8.. | 25,991 | |
| Inventory..... | 31,570 | 40,874 |
| Current Deferred Tax Asset - NOTE 8..... | | 3,266 |
| Total Current Assets..... | <u>\$ 2,150,387</u> | <u>\$ 2,742,943</u> |
| PROPERTY AND EQUIPMENT (Less Accumulated Depreciation: 2024 - \$145,689; 2023 - \$99,097) - NOTE 2..... | <u>\$ 422,810</u> | <u>\$ 190,094</u> |
| INTANGIBLE ASSETS..... | <u>\$ 9,319,267</u> | <u>\$ 9,319,267</u> |
| OTHER ASSETS: | | |
| Security Deposits..... | \$ 13,521 | \$ 13,521 |
| Operating Lease Right-of-Use Assets - NOTE 5..... | 196,434 | 408,814 |
| Total Other Assets..... | <u>\$ 209,955</u> | <u>\$ 422,335</u> |
| TOTAL ASSETS..... | <u>\$ 12,102,419</u> | <u>\$ 12,674,639</u> |

LIABILITIES AND MEMBERS' EQUITY

| | | |
|---|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Current Portion of Operating Lease Liabilities... | \$ 211,587 | \$ 221,154 |
| Accounts Payable..... | 346,657 | 198,866 |
| Accrued Expenses..... | 160,486 | 176,454 |
| Gift Cards and Rebates Payable..... | 408,295 | 263,573 |
| Credit Card Payable..... | 37,497 | 37,459 |
| Deferred Franchise Revenue..... | 674,750 | 999,950 |
| Federal and State Income Taxes Payable - NOTE 8.. | | 15,043 |
| Total Current Liabilities..... | <u>\$ 1,839,272</u> | <u>\$ 1,912,499</u> |
| LONG-TERM OPERATING LEASE LIABILITIES (Less Current Portion) - NOTE 5..... | | <u>\$ 211,587</u> |
| DEFERRED TAX LIABILITIES - NOTE 8..... | <u>\$ 1,597,347</u> | <u>\$ 1,498,575</u> |
| Total Liabilities..... | <u>\$ 3,436,619</u> | <u>\$ 3,622,661</u> |
| MEMBERS' EQUITY..... | <u>\$ 8,665,800</u> | <u>\$ 9,051,978</u> |
| TOTAL LIABILITIES AND MEMBERS' EQUITY..... | <u>\$ 12,102,419</u> | <u>\$ 12,674,639</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| BALANCE - BEGINNING OF YEAR | \$ 9,051,978 | \$ 10,166,434 |
| PRIOR PERIOD ADJUSTMENT - NOTE 10 | | (1,396,052) |
| NET INCOME (LOSS) | <u>(386,178)</u> | <u>281,596</u> |
| BALANCE - END OF YEAR | <u>\$ 8,665,800</u> | <u>\$ 9,051,978</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|--------------------|
| REVENUES: | | |
| Franchise Sales..... | \$1,230,222 | \$1,722,050 |
| Royalties..... | 3,420,147 | 3,358,050 |
| Marketing Revenue..... | 1,257,300 | 1,247,565 |
| Other Revenue..... | 962,274 | 767,727 |
| Total Revenues..... | <u>\$6,869,943</u> | <u>\$7,095,392</u> |
| OPERATING EXPENSES: | | |
| Salaries..... | \$1,984,581 | \$2,018,472 |
| Payroll Taxes..... | 197,971 | 202,054 |
| Employee Benefits..... | 332,983 | 305,410 |
| Retirement Plan..... | 71,595 | 70,159 |
| Advertising and Marketing..... | 2,155,300 | 1,779,098 |
| Supplies and Small Equipment..... | 3,898 | 23,288 |
| Travel, Meals and Lodging..... | 328,155 | 276,295 |
| Operating Lease Cost..... | 154,735 | 158,448 |
| Office Expense..... | 68,746 | 49,346 |
| Computer Expenses..... | 180,640 | 135,696 |
| Telephone Expense..... | 19,771 | 21,012 |
| Contracted Services..... | 302,173 | 310,105 |
| Commissions..... | 92,600 | 357,960 |
| Professional Fees..... | 479,836 | 412,647 |
| Management Fee..... | 268,631 | 240,000 |
| Depreciation..... | 38,554 | 42,541 |
| Franchise Setup Costs..... | 17,100 | 4,800 |
| Insurance..... | 61,721 | 83,491 |
| Research and Development Costs..... | 51,255 | 11,607 |
| Projects and Special Events..... | 61,557 | 52,532 |
| Miscellaneous..... | 166,978 | 54,583 |
| Taxes – Other..... | 12,094 | 22,650 |
| Total Operating Expenses..... | <u>\$7,050,874</u> | <u>\$6,632,194</u> |
| INCOME (LOSS) FROM OPERATIONS..... | <u>\$ (180,931)</u> | <u>\$ 463,198</u> |
| OTHER INCOME (EXPENSES): | | |
| Net (Loss) Retail Store Operations – NOTE 9..... | <u>\$ (96,671)</u> | <u>\$ (67,302)</u> |
| Total Other Income (Expenses)..... | <u>\$ (96,671)</u> | <u>\$ (67,302)</u> |
| NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES..... | <u>\$ (277,602)</u> | <u>\$ 395,896</u> |
| PROVISION FOR INCOME TAXES – NOTE 8..... | <u>108,576</u> | <u>114,300</u> |
| NET INCOME (LOSS)..... | <u>\$ (386,178)</u> | <u>\$ 281,596</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss)..... | \$ (386,178) | \$ 281,596 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation..... | 46,592 | 50,070 |
| Loss on Disposal of Assets..... | | 972 |
| Noncash Lease Expense..... | (8,774) | 11,032 |
| Deferred Income Taxes..... | 102,038 | 99,257 |
| (Increase) Decrease in: | | |
| Accounts Receivable..... | (44,198) | (266,436) |
| Prepaid Expenses..... | (38,851) | (96,392) |
| Prepaid Federal and State Income Taxes..... | (25,991) | |
| Inventory..... | 9,304 | (27,005) |
| Increase (Decrease) in: | | |
| Accounts Payable..... | 147,791 | 114,578 |
| Accrued Expenses..... | (15,968) | 23,920 |
| Gift Cards and Rebates Payable..... | 144,722 | 21,114 |
| Credit Card Payable..... | 38 | 6,077 |
| Deferred Franchise Revenue..... | (325,200) | 227,450 |
| Federal and State Income Taxes Payable..... | (15,043) | 15,043 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (409,718)</u> | <u>\$ 461,276</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment..... | <u>\$ (279,308)</u> | <u>\$ (43,549)</u> |
| Net Cash (Used) by Investing Activities.... | <u>\$ (279,308)</u> | <u>\$ (43,549)</u> |
| NET INCREASE (DECREASE) IN CASH..... | \$ (689,026) | \$ 417,727 |
| CASH - BEGINNING OF YEAR..... | <u>1,735,456</u> | <u>1,317,729</u> |
| CASH - END OF YEAR..... | <u>\$1,046,430</u> | <u>\$1,735,456</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for Income Taxes..... | \$ 29,950 | |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BUSINESS

Duck Donuts Holdings, LLC and Subsidiaries (the Company) sells and supports franchises of Duck Donuts, made-to-order donut shops. The Company's operations are located in central Pennsylvania.

Duck Donuts Holdings, LLC is the parent company of two operating limited liability companies: Duck Donuts International, LLC which accounts for the activity of the Company's international franchises and Duck Donuts Stores, LLC which operates a retail location from which the Company also provides training to current and prospective franchisees.

B. BASIS OF ACCOUNTING

The Company's consolidated financial statements are prepared using the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. This basis conforms to generally accepted accounting principles.

C. CONSOLIDATION

The consolidated financial statements include the accounts of Duck Donuts Holdings, LLC and its 100% owned subsidiaries Duck Donuts International, LLC and Duck Donuts Stores, LLC. All material intercompany transactions have been eliminated in consolidation.

The Company follows FASB Accounting Standards Codification 810, *Consolidation*, revised standard on accounting for noncontrolling interests. This standard establishes accounting and reporting requirements for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The standard clarifies that a noncontrolling interest is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. REVENUE RECOGNITION

Company revenues consist primarily of initial franchise sales, royalties, and marketing revenue. FASB ASC 606, *Revenue from Contracts with Customers*, provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. Initial nonrefundable franchise fees for licensed stores are recognized upon substantial performance of services for new market business development activities, such as initial business, real estate and store development planning, as well as providing operational materials and functional training courses for opening new licensed retail markets. The services are allocated to three distinct performance obligations and recognized as each phase is completed, based on estimated costs incurred for each phase, some initially upon signing the agreement and some over time up to the store opening. Franchise agreement royalties, inclusive of marketing revenue, represent sales-based royalties that are related entirely to performance obligations under the franchise agreement, including on-going training, store inspections, and menu development, and are recognized on a monthly basis as sales occur over the term of the franchise agreement.

Revenue recognized for the sale of gift cards is deferred by the Company until the customer uses the gift card, whereby the revenue is passed onto the franchisee. The portion of gift cards sold to customers which are never redeemed is referred to as gift card breakage. The Company recognizes gift card breakage using an estimated breakage rate based on the Company's historical experience.

Supplier rebate revenue is recognized at the completion of the purchase period which is determined to be the time the performance obligation is satisfied.

Retail store sales and technology fees are recognized at the point of sale.

E. LEASES

The Company adopted ASU 2016-02, *Leases* (Topic 842), which among other things, requires the recognition of right-of-use assets and operating lease liabilities on the balance sheet of lessees, along with disclosure of key information about leasing arrangements for leases with a term of greater than 12 months.

The Company determines whether an arrangement is a lease at its inception by determining whether the contract conveys the Company the right to control the use of an identified asset in exchange for consideration over a period of time.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. LEASES (CONTINUED)

The Company measures and records an operating lease liability equal to the present value of the future lease payments. Because the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate, determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and in a similar economic environment, is used in determining the present value of lease payments. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Within the provisions of certain leases, there are escalations in payments over the base lease term, which have been reflected in lease expense on a straight-line basis for operating leases over the expected lease term.

Leases with a term of 12 months or less are deemed short-term leases and are not recognized on the consolidated balance sheets for all classes of underlying assets. The Company recognizes expenses on these leases over the lease term.

F. DEPRECIATION

Property and equipment are carried at cost. Depreciation is computed using the straight-line method and estimated useful lives as summarized below. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

| <u>CLASSIFICATION</u> | <u>LIFE</u> |
|-------------------------------------|-------------|
| Leasehold Improvements | Lease Term |
| Computer Equipment | 5 Years |
| Office Furniture and Equipment | 5-10 Years |
| Computer Software | 3 Years |
| Restaurant Equipment Owned | 5 Years |
| Retail Store Leasehold Improvements | Lease Term |
| Retail Store Equipment and Fixtures | 5-7 Years |
| Vehicles | 5 Years |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INTANGIBLE ASSETS

Intangible assets consist of goodwill which is evaluated annually for impairment.

On April 13, 2021, the operating assets and liabilities, including all executed franchise agreements, of Duck Donuts Franchising Company, LLC and Subsidiaries were sold and contributed to Duck Donuts Holdings, LLC and Subsidiaries. The transaction resulted in the recognition of \$9,319,267 in goodwill.

H. LIMITATION ON LIABILITY OF MEMBERS

The Delaware Limited Liability Company Law provides that a member of an LLC is not personally liable for the LLC's obligations solely by reason of being a member. A member is obligated to the LLC only for the member's promise to make contributions of cash, property, services or specific commitments.

I. INCOME TAXES

The Company is taxed as a C Corporation. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred taxes related primarily to differences in the basis of property and equipment and intangible assets for financial and income tax reporting. The deferred taxes represent the future tax return consequences of those differences.

Duck Donuts International, LLC and Duck Donuts Stores, LLC are disregarded entities of the Company for income tax purposes.

J. ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$2,155,300 and \$1,779,098 for the years ended December 31, 2024 and 2023, respectively.

K. CASH EQUIVALENTS

For purposes of consolidated financial statement presentation, the Company considers all short-term, highly liquid investments with maturities of three months or less at the date of their acquisition to be cash equivalents. There were no cash equivalents as of December 31, 2024 or 2023.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. INVENTORY

Inventory is valued at current cost.

M. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Accounts receivable are recognized in the period a franchisee or vendor is billed. The Company evaluates the need for an allowance for credit losses using judgment based on management's evaluation of outstanding accounts receivable at the end of the year. Management considers accounts receivable to be fully collectible. There was no allowance recorded as of December 31, 2024 or 2023.

N. USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

O. COMPENSATED ABSENCES

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

P. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 28, 2025, the date which the consolidated financial statements were available to be issued.

| | <u>COST</u> | <u>ACCUMULATED DEPRECIATION</u> | <u>BOOK VALUE</u> | <u>DEPRECIATION FOR THE YEAR THEN ENDED</u> |
|------------------------|------------------|-------------------------------------|-------------------|---|
| Leasehold | | | | |
| Improvements | \$ 5,112 | \$ 1,704 | \$ 3,408 | \$ 1,704 |
| Computer Equipment.... | 30,581 | 11,389 | 19,192 | 5,686 |
| Office Furniture and | | | | |
| Equipment..... | 40,891 | 13,890 | 27,001 | 5,887 |
| Computer Software..... | 149,670 | 48,647 | 101,023 | 26,264 |
| Restaurant Equipment | | | | |
| Owned..... | 15,000 | 8,000 | 7,000 | 3,000 |
| Retail Store | | | | |
| Leasehold | | | | |
| Improvements | 1,933 | 258 | 1,675 | 129 |
| Retail Store | | | | |
| Equipment and | | | | |
| Fixtures..... | 27,594 | 6,089 | 21,505 | 3,718 |
| Vehicles..... | <u>18,410</u> | <u>9,120</u> | <u>9,290</u> | <u>3,682</u> |
| | <u>\$289,191</u> | <u>\$ 99,097</u> | <u>\$190,094</u> | <u>\$ 50,070</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

3. FRANCHISE OWNERSHIP

The following analysis details franchise activity during the year ended December 31:

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Franchises Sold: | | |
| Domestic | 12 | 31 |
| International | <u>2</u> | <u>5</u> |
| Total Franchises Sold | <u>14</u> | <u>36</u> |
| Franchised Stores in Operation | 143 | 133 |
| Franchisor-owned Stores in Operation | 1 | 1 |

There were no franchises purchased by the Company during the years ended December 31, 2024 or 2023.

4. CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances in financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The uninsured cash balance was \$528,850 and \$1,285,986 as of December 31, 2024 and 2023, respectively.

The Company's accounts receivable are due from franchises and suppliers for rebates. The franchise receivables are personally guarantied by the franchise owners. As of December 31, 2024, accounts receivable of \$255,776 were outstanding from one franchise and one supplier representing 32% of total accounts receivable. As of December 31, 2023, accounts receivable of \$200,000 were outstanding from one franchise representing 28% of total accounts receivable. Remaining outstanding accounts receivable were from franchises and suppliers whose accounts receivable as of December 31, 2024 and 2023, did not individually constitute more than 10% of the total.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

5. OPERATING LEASES

The Company leases its corporate office and retail facility from unrelated third parties that expire during 2026 and 2025, respectively. Both leases include renewal options. The renewal options are not included in the calculation of the right-of-use assets and lease liabilities as the Company has not yet determined if further extensions will be exercised. Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the accompanying consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded with operating lease liabilities. The Company recognizes expense for these leases on a straight-line basis over the lease term. The Company's equipment leases were deemed to be immaterial when calculating future lease obligations.

As of December 31, 2024, the weighted-average remaining lease term and weighted-average discount rate for operating leases were one year and 5%, respectively.

The following is a summary of operating lease costs for the year ended December 31:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Corporate Office: | | |
| Operating Lease Cost | \$154,735 | \$157,652 |
| Other Lease Cost | | <u>796</u> |
| Operating Lease Costs – Corporate Office | <u>\$154,735</u> | <u>\$158,448</u> |
| Operating Lease Cost – Retail Operations | <u>75,155</u> | <u>75,161</u> |
| Total Operating Lease Costs | <u>\$229,890</u> | <u>\$233,609</u> |

Operating lease liabilities will mature during subsequent year as follows:

| | |
|---|------------------|
| December 31, 2025 | \$257,836 |
| Amount Representing Interest | <u>(46,249)</u> |
| Total Operating Lease Liabilities | <u>\$211,587</u> |

6. RELATED PARTY TRANSACTIONS

The Company has an agreement with the majority member under which the member is to provide management services for a monthly fee of \$20,000 plus the reimbursement of expenses. The agreement shall remain in effect until the earlier of the mutual agreement of the parties or a sale of the Company. Management fees and reimbursements were \$268,631 and \$240,000 for the years ended December 31, 2024 and 2023, respectively.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

7. RETIREMENT PLAN

The Company has a 401(k) plan. All employees who have attained the age of 21 years and have completed three consecutive months with at least 250 hours of service are eligible for participation in the plan. Eligible employees may elect to make contributions within Internal Revenue Code limitations. The plan also provides for employer matching and discretionary profit sharing contributions. Employer matching contributions were \$71,595 and \$70,159 for the years ended December 31, 2024 and 2023, respectively. There was no profit sharing contribution for the years ended December 31, 2024 or 2023.

8. INCOME TAXES

The following is an analysis of the Company's deferred tax asset and deferred tax liabilities showing the tax effects of significant temporary differences as of December 31:

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|--------------------|
| DEFERRED TAX ASSETS: | | |
| Noncash Lease Expense | | <u>\$ 3,266</u> |
| DEFERRED TAX LIABILITIES: | | |
| Accumulated Amortization on Intangible Assets | \$1,578,212 | \$1,473,206 |
| Accumulated Depreciation on Property and Equipment | 16,537 | 25,369 |
| Noncash Lease Income | <u>2,598</u> | |
| Total Deferred Tax Liabilities | <u>\$1,597,347</u> | <u>\$1,498,575</u> |

Federal and state income taxes payable consisted of the following as of December 31:

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|------------------|
| Current Federal Income Tax Liability | | \$ 2,186 |
| Federal Income Tax Deposits | <u>\$ 24,996</u> | |
| Total Federal Income Taxes Payable (Prepaid) . | <u>\$ (24,996)</u> | <u>\$ 2,186</u> |
| Current State Income Tax Liability | \$ 6,538 | \$ 12,857 |
| State Income Tax Deposits | <u>(7,533)</u> | |
| Total State Income Taxes Payable (Prepaid) ... | <u>\$ (995)</u> | <u>\$ 12,857</u> |
| Total Federal and State Income Taxes Payable (Prepaid) | <u>\$ (25,991)</u> | <u>\$ 15,043</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. INCOME TAXES (CONTINUED)

The provision for income taxes consisted of the following for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| CURRENT INCOME TAXES: | | |
| Federal | | \$ 2,186 |
| State | <u>\$ 6,538</u> | <u>12,857</u> |
| Total Current Income Taxes | <u>\$ 6,538</u> | <u>\$ 15,043</u> |
| DEFERRED INCOME TAXES: | | |
| Federal | \$ 57,748 | \$ 59,470 |
| State | <u>44,290</u> | <u>39,787</u> |
| Total Deferred Income Taxes | <u>\$102,038</u> | <u>\$ 99,257</u> |
| Total Provision for Income Taxes | <u>\$108,576</u> | <u>\$114,300</u> |

The Company has a net operating loss carryforward for federal income tax purposes of \$574,622, of which \$10,000 representing a foreign tax credit, can be carried forward 10 years. The remaining loss can be carried forward indefinitely.

The Company has a net operating loss carryforward for Pennsylvania income tax purposes of \$53,702, which expires December 31, 2044. The use is subject to income limitations.

There are also carryforward net operating losses available for other state income tax purposes. The amounts and expiration dates vary by state.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The members have analyzed the tax positions taken by the Company, and have concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company's income tax returns are subject to routine audits by taxing jurisdictions, generally for three years after they were filed; however, there are currently no audits for any tax period in progress.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

9. RETAIL STORE OPERATIONS

The Company operates a retail location in Mechanicsburg, Pennsylvania. In addition to its retail operations, the store is also utilized by the Company as a training facility for franchisees. Net (loss) from retail store operations consisted of the following for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Product Revenue | \$609,119 | \$737,534 |
| Costs of Goods Sold | <u>208,134</u> | <u>218,816</u> |
| Gross Profit | \$400,985 | \$518,718 |
| Operating Expenses | <u>497,656</u> | <u>586,020</u> |
| Net (Loss) from Retail Store Operations | <u>\$(96,671)</u> | <u>\$(67,302)</u> |

10. PRIOR PERIOD ADJUSTMENT

The Company elected to be taxed as a C Corporation effective January 1, 2023. A prior period adjustment in the amount of \$1,396,052 was recorded to recognize the net impact of the deferred tax asset and deferred tax liability representing the beginning balances of the temporary timing differences.

DUCK DONUTS HOLDINGS, LLC
AND SUBSIDIARIES

DECEMBER 31, 2023

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members
Duck Donuts Holdings, LLC and Subsidiaries
Mechanicsburg, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Duck Donuts Holdings, LLC and Subsidiaries (a Limited Liability Company) which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of changes in members' equity, income, and cash flows for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duck Donuts Holdings, LLC and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their 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 Duck Donuts Holdings, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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.

Martin M. Sacks + Associates

March 25, 2024

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash..... | \$ 1,735,456 | \$ 1,317,729 |
| Accounts Receivable..... | 766,229 | 499,793 |
| Prepaid Expenses..... | 197,118 | 100,726 |
| Inventory..... | 40,874 | 13,869 |
| Current Deferred Tax Asset - NOTE 9..... | 3,266 | |
| Total Current Assets..... | <u>\$ 2,742,943</u> | <u>\$ 1,932,117</u> |
| PROPERTY AND EQUIPMENT (Less Accumulated Depreciation: 2023 - \$99,097; 2022 - \$53,056) - NOTE 2..... | <u>\$ 190,094</u> | <u>\$ 197,587</u> |
| INTANGIBLE ASSETS..... | <u>\$ 9,319,267</u> | <u>\$ 9,319,267</u> |
| OTHER ASSETS: | | |
| Security Deposits..... | \$ 13,521 | \$ 13,521 |
| Operating Lease Right-of-Use Assets - NOTE 6..... | 408,814 | 613,166 |
| Total Other Assets..... | <u>\$ 422,335</u> | <u>\$ 626,687</u> |
| TOTAL ASSETS..... | <u>\$ 12,674,639</u> | <u>\$ 12,075,658</u> |
| <u>LIABILITIES AND MEMBERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| Current Portion of Operating Lease Liabilities... | \$ 221,154 | \$ 193,320 |
| Accounts Payable..... | 198,866 | 84,288 |
| Accrued Expenses..... | 176,454 | 152,534 |
| Gift Cards and Rebates Payable..... | 263,573 | 242,459 |
| Credit Card Payable..... | 37,459 | 31,382 |
| Deferred Franchise Revenue..... | 999,950 | 772,500 |
| Federal and State Income Taxes Payable - NOTE 9.. | 15,043 | |
| Total Current Liabilities..... | <u>\$ 1,912,499</u> | <u>\$ 1,476,483</u> |
| LONG-TERM OPERATING LEASE LIABILITIES (Less Current Portion) - NOTE 6..... | <u>\$ 211,587</u> | <u>\$ 432,741</u> |
| DEFERRED TAX LIABILITIES - NOTE 9..... | <u>\$ 1,498,575</u> | |
| Total Liabilities..... | <u>\$ 3,622,661</u> | <u>\$ 1,909,224</u> |
| MEMBERS' EQUITY..... | <u>\$ 9,051,978</u> | <u>\$ 10,166,434</u> |
| TOTAL LIABILITIES AND MEMBERS' EQUITY..... | <u>\$ 12,674,639</u> | <u>\$ 12,075,658</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|----------------------|
| BALANCE – BEGINNING OF YEAR | \$ 10,166,434 | \$ 10,216,232 |
| PRIOR PERIOD ADJUSTMENT – NOTE 11 | (1,396,052) | |
| NET INCOME (LOSS) | <u>281,596</u> | <u>(49,798)</u> |
| BALANCE – END OF YEAR | <u>\$ 9,051,978</u> | <u>\$ 10,166,434</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| REVENUES: | | |
| Franchise Sales..... | \$1,722,050 | \$1,452,250 |
| Royalties..... | 3,358,050 | 3,012,987 |
| Marketing Revenue..... | 1,247,565 | 1,105,675 |
| Other Revenue..... | <u>767,727</u> | <u>412,614</u> |
| Total Revenues..... | <u>\$7,095,392</u> | <u>\$5,983,526</u> |
| OPERATING EXPENSES: | | |
| Salaries..... | \$2,018,472 | \$1,761,440 |
| Payroll Taxes..... | 202,054 | 205,077 |
| Employee Benefits..... | 305,410 | 253,278 |
| Retirement Plan..... | 70,159 | 63,582 |
| Advertising and Marketing..... | 1,779,098 | 1,849,483 |
| Supplies and Small Equipment..... | 23,288 | 26,057 |
| Travel, Meals and Lodging..... | 276,295 | 207,548 |
| Operating Lease Cost..... | 158,448 | 157,373 |
| Office Expense..... | 49,346 | 45,825 |
| Computer Expenses..... | 135,696 | 146,784 |
| Telephone Expense..... | 21,012 | 21,653 |
| Contracted Services..... | 310,105 | 246,277 |
| Commissions..... | 357,960 | 240,103 |
| Professional Fees..... | 412,647 | 269,679 |
| Management Fee..... | 240,000 | 240,000 |
| Depreciation..... | 42,541 | 33,509 |
| Franchise Setup Costs..... | 4,800 | 15,563 |
| Insurance..... | 83,491 | 61,302 |
| Research and Development Costs..... | 11,607 | 44,881 |
| Projects and Special Events..... | 52,532 | 130,864 |
| Miscellaneous..... | 54,583 | 44,192 |
| Taxes – Other..... | <u>22,650</u> | <u> </u> |
| Total Operating Expenses..... | <u>\$6,632,194</u> | <u>\$6,064,470</u> |
| INCOME (LOSS) FROM OPERATIONS..... | <u>\$ 463,198</u> | <u>\$ (80,944)</u> |
| OTHER INCOME (EXPENSES): | | |
| Interest Expense..... | | \$ (225) |
| Net Income (Loss) Retail Store Operations | | |
| – NOTE 10..... | <u>\$ (67,302)</u> | <u>31,371</u> |
| Total Other Income (Expenses)..... | <u>\$ (67,302)</u> | <u>\$ 31,146</u> |
| NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES..... | \$ 395,896 | \$ (49,798) |
| PROVISION FOR INCOME TAXES – NOTE 9..... | <u>114,300</u> | <u> </u> |
| NET INCOME (LOSS)..... | <u>\$ 281,596</u> | <u>\$ (49,798)</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss)..... | \$ 281,596 | \$ (49,798) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation..... | 50,070 | 38,823 |
| Loss on Disposal of Assets..... | 972 | 2,406 |
| Noncash Lease Expense..... | 11,032 | 12,895 |
| Deferred Income Taxes..... | 99,257 | |
| (Increase) Decrease in: | | |
| Accounts Receivable..... | (266,436) | (329,018) |
| Prepaid Expenses..... | (96,392) | 8,587 |
| Inventory..... | (27,005) | 2,694 |
| Increase (Decrease) in: | | |
| Accounts Payable..... | 114,578 | 3,216 |
| Accrued Expenses..... | 23,920 | (55,030) |
| Gift Cards and Rebates Payable..... | 21,114 | 32,477 |
| Credit Card Payable..... | 6,077 | 15,792 |
| Deferred Franchise Revenue..... | 227,450 | 399,250 |
| Federal and State Income Taxes Payable..... | <u>15,043</u> | <u> </u> |
| Net Cash Provided by Operating Activities | <u>\$ 461,276</u> | <u>\$ 82,294</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment..... | <u>\$ (43,549)</u> | <u>\$ (107,839)</u> |
| Net Cash (Used) by Investing Activities.... | <u>\$ (43,549)</u> | <u>\$ (107,839)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment to Member..... | | \$ (8,750) |
| Repayments of Long-Term Debt..... | | <u>(8,141)</u> |
| Net Cash (Used) by Financing Activities.... | | <u>\$ (16,891)</u> |
| NET INCREASE (DECREASE) IN CASH..... | \$ 417,727 | \$ (42,436) |
| CASH - BEGINNING OF YEAR..... | <u>1,317,729</u> | <u>1,360,165</u> |
| CASH - END OF YEAR..... | <u>\$1,735,456</u> | <u>\$1,317,729</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for Interest..... | | \$ 225 |
| Noncash Operating Activities: | | |
| Operating Lease Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities..... | | \$ 626,061 |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BUSINESS

Duck Donuts Holdings, LLC and Subsidiaries (the Company) sells and supports franchises of Duck Donuts, made-to-order donut shops. The Company's operations are located in central Pennsylvania.

Duck Donuts Holdings, LLC is the parent company of two operating limited liability companies: Duck Donuts International, LLC which accounts for the activity of the Company's international franchises and Duck Donuts Stores, LLC which operates a retail location from which the Company also provides training to current and prospective franchisees.

B. BASIS OF ACCOUNTING

The Company's consolidated financial statements are prepared using the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. This basis conforms to generally accepted accounting principles.

C. CONSOLIDATION

The consolidated financial statements include the accounts of Duck Donuts Holdings, LLC and its 100% owned subsidiaries Duck Donuts International, LLC and Duck Donuts Stores, LLC. All material intercompany transactions have been eliminated in consolidation.

The Company follows FASB Accounting Standards Codification 810, *Consolidation*, revised standard on accounting for noncontrolling interests. This standard establishes accounting and reporting requirements for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The standard clarifies that a noncontrolling interest is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. REVENUE RECOGNITION

Company revenues consist primarily of initial franchise sales, royalties, and marketing revenue. FASB ASC 606, *Revenue from Contracts with Customers*, provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. Initial nonrefundable franchise fees for licensed stores are recognized upon substantial performance of services for new market business development activities, such as initial business, real estate and store development planning, as well as providing operational materials and functional training courses for opening new licensed retail markets. The services are allocated to three distinct performance obligations and recognized as each phase is completed, based on estimated costs incurred for each phase, some initially upon signing the agreement and some over time up to the store opening. Franchise agreement royalties, inclusive of marketing revenue, represent sales-based royalties that are related entirely to performance obligations under the franchise agreement, including on-going training, store inspections, and menu development, and are recognized on a monthly basis as sales occur over the term of the franchise agreement.

Revenue recognized for the sale of gift cards is deferred by the Company until the customer uses the gift card, whereby the revenue is passed onto the franchisee. The portion of gift cards sold to customers which are never redeemed is referred to as gift card breakage. The Company recognizes gift card breakage using an estimated breakage rate based on the Company's historical experience.

Supplier rebate revenue is recognized at the completion of the purchase period which is determined to be the time the performance obligation is satisfied.

Retail store sales and technology fees are recognized at the point of sale.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. LEASES

The Company adopted ASU 2016-02, *Leases* (Topic 842), effective January 1, 2022, which among other things, requires the recognition of right-of-use assets and operating lease liabilities on the balance sheet of lessees, along with disclosure of key information about leasing arrangements for leases with a term of greater than 12 months.

The Company determines whether an arrangement is a lease at its inception by determining whether the contract conveys the Company the right to control the use of an identified asset in exchange for consideration over a period of time.

The Company measures and records an operating lease liability equal to the present value of the future lease payments. Because the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate, determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and in a similar economic environment, is used in determining the present value of lease payments. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Within the provisions of certain leases, there are escalations in payments over the base lease term, which have been reflected in lease expense on a straight-line basis for operating leases over the expected lease term.

The Company has elected the following options upon implementation:

- the practical expedient that allows lessees to choose to not separate lease and nonlease components by class of underlying asset and are applying this expedient to all relevant asset classes.
- the practical expedient package to not reassess at adoption (i) expired or existing contracts as to whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.
- the effective date transition method and therefore, comparative periods are not restated.

Leases with a term of 12 months or less are deemed short-term leases and are not recognized on the consolidated balance sheets for all classes of underlying assets. The Company recognizes expenses on these leases over the lease term.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. DEPRECIATION

Property and equipment are carried at cost. Depreciation is computed using the straight-line method and estimated useful lives as summarized below. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

| <u>CLASSIFICATION</u> | <u>LIFE</u> |
|-------------------------------------|-------------|
| Leasehold Improvements | Lease Term |
| Computer Equipment | 5 Years |
| Office Furniture and Equipment | 5-10 Years |
| Computer Software | 3 Years |
| Restaurant Equipment Owned | 5 Years |
| Retail Store Leasehold Improvements | Lease Term |
| Retail Store Equipment and Fixtures | 5-7 Years |
| Vehicles | 5 Years |

G. INTANGIBLE ASSETS

Intangible assets consist of goodwill which is evaluated annually for impairment.

On April 13, 2021, the operating assets and liabilities, including all executed franchise agreements, of Duck Donuts Franchising Company, LLC and Subsidiaries were sold and contributed to Duck Donuts Holdings, LLC and Subsidiaries. The transaction resulted in the recognition of \$9,319,267 in goodwill.

H. LIMITATION ON LIABILITY OF MEMBERS

The Delaware Limited Liability Company Law provides that a member of an LLC is not personally liable for the LLC's obligations solely by reason of being a member. A member is obligated to the LLC only for the member's promise to make contributions of cash, property, services or specific commitments.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. INCOME TAXES

Effective January 1, 2023, the Company elected to be taxed as a C Corporation. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred taxes related primarily to differences in the basis of property and equipment and intangible assets for financial and income tax reporting. The deferred taxes represent the future tax return consequences of those differences.

Prior to the election, the Company filed its federal and state income tax returns under the partnership provisions of the income tax laws. Since the members reported the profits or losses of the Company on their respective income tax returns, no provision for income taxes was included in the consolidated financial statements.

Duck Donuts International, LLC and Duck Donuts Stores, LLC are disregarded entities of the Company for income tax purposes.

J. ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$1,779,098 and \$1,849,483 for the years ended December 31, 2023 and 2022, respectively.

K. CASH EQUIVALENTS

For purposes of consolidated financial statement presentation, the Company considers all short-term, highly liquid investments with maturities of three months or less at the date of their acquisition to be cash equivalents. There were no cash equivalents as of December 31, 2023 or 2022.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. INVENTORY

Inventory is valued at current cost.

M. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Accounts receivable are recognized in the period a franchisee or vendor is billed. The Company evaluates the need for an allowance for credit losses using judgment based on management's evaluation of outstanding accounts receivable at the end of the year. Management considers accounts receivable to be fully collectible. There was no allowance recorded as of December 31, 2023 or 2022.

N. USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

O. COMPENSATED ABSENCES

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

P. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through March 25, 2024, the date which the consolidated financial statements were available to be issued.

| | <u>COST</u> | <u>ACCUMULATED DEPRECIATION</u> | <u>BOOK VALUE</u> | <u>DEPRECIATION FOR THE YEAR THEN ENDED</u> |
|------------------------|------------------|-------------------------------------|-------------------|---|
| Leasehold | | | | |
| Improvements | \$ 5,112 | | \$ 5,112 | |
| Computer Equipment.... | 27,998 | \$ 5,703 | 22,295 | \$ 5,730 |
| Office Furniture and | | | | |
| Equipment..... | 40,891 | 8,003 | 32,888 | 5,043 |
| Computer Software..... | 128,142 | 26,412 | 101,730 | 19,736 |
| Restaurant Equipment | | | | |
| Owned..... | 15,000 | 5,000 | 10,000 | 3,000 |
| Retail Store | | | | |
| Leasehold | | | | |
| Improvements | 1,933 | 129 | 1,804 | 129 |
| Retail Store | | | | |
| Equipment and | | | | |
| Fixtures..... | 13,157 | 2,371 | 10,786 | 1,552 |
| Vehicles..... | <u>18,410</u> | <u>5,438</u> | <u>12,972</u> | <u>3,633</u> |
| | <u>\$250,643</u> | <u>\$ 53,056</u> | <u>\$197,587</u> | <u>\$ 38,823</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. LONG-TERM DEBT

On April 13, 2021, the Company assumed the outstanding equipment note agreement between Duck Donuts Franchising Company, LLC and a local business for office furniture. The note was paid in full in November 2022. Interest expense for the year ended December 31, 2022 was \$225.

4. FRANCHISE OWNERSHIP

The following analysis details franchise activity during the year ended December 31:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Franchises Sold: | | |
| Domestic | 31 | 38 |
| International | <u>5</u> | <u>5</u> |
| Total Franchises Sold | <u>36</u> | <u>43</u> |
| Franchised Stores in Operation | 133 | 111 |
| Franchisor-owned Stores in Operation | 1 | 1 |

There were no franchises purchased by the Company during the years ended December 31, 2023 or 2022.

5. CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances in financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The uninsured cash balance was 1,285,986 and \$1,030,618 as of December 31, 2023 and 2022, respectively.

The Company's accounts receivable are due from franchises and suppliers for rebates. The franchise receivables are personally guarantied by the franchise owners. As of December 31, 2023, accounts receivable of \$200,000 were outstanding from one franchise representing 28% of total accounts receivable. As of December 31, 2022, accounts receivable of \$105,000 were outstanding from two franchises representing 21% of total accounts receivable. Remaining outstanding accounts receivable were from franchises and suppliers whose accounts receivable as of December 31, 2023 and 2022, did not individually constitute more than 10% of the total.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. OPERATING LEASES

The Company leases its corporate office and retail facility from unrelated third parties that expire during 2026 and 2025, respectively. Both leases include renewal options. The renewal options are not included in the calculation of the right-of-use assets and lease liabilities as the Company exercised extensions for each facility during 2022 and the Company has not yet determined if further extensions will be exercised. Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the accompanying consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded with operating lease liabilities. The Company recognizes expense for these leases on a straight-line basis over the lease term. The Company's equipment leases were deemed to be immaterial when calculating future lease obligations.

As of December 31, 2023, the weighted-average remaining lease term and weighted-average discount rate for operating leases were two years and 5%, respectively.

The following is a summary of operating lease costs for the years ended December 31:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Corporate Office: | | |
| Operating Lease Cost | \$157,652 | \$154,520 |
| Other Lease Cost | <u>796</u> | <u>2,853</u> |
| Operating Lease Costs – Corporate Office | \$158,448 | \$157,373 |
| Operating Lease Cost – Retail Operations | <u>75,161</u> | <u>70,821</u> |
| Total Operating Lease Costs | <u>\$233,609</u> | <u>\$228,194</u> |

Operating lease liabilities will mature during subsequent years as follows:

| | |
|---|------------------|
| December 31, 2024 | \$236,677 |
| December 31, 2025 | 243,767 |
| December 31, 2026 | <u>14,069</u> |
| Total Future Minimum Lease Payments | \$494,513 |
| Amount Representing Interest | <u>(61,772)</u> |
| Total Operating Lease Liabilities | <u>\$432,741</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. RELATED PARTY TRANSACTIONS

The Company has an agreement with the majority member under which the member is to provide management services for a monthly fee of \$20,000 plus the reimbursement of expenses. The agreement shall remain in effect until the earlier of the mutual agreement of the parties or a sale of the Company. Management fees were \$240,000 for each of the years ended December 31, 2023 and 2022.

As of December 31, 2021, the Company had an outstanding payable of \$8,750 to the minority member. It was repaid during the year ended December 31, 2022.

8. RETIREMENT PLAN

The Company has a 401(k) plan. All employees who have attained the age of 21 years and have completed three consecutive months with at least 250 hours of service are eligible for participation in the plan. Eligible employees may elect to make contributions within Internal Revenue Code limitations. The plan also provides for employer matching and discretionary profit sharing contributions. Employer matching contributions were \$70,159 and \$63,582 for the years ended December 31, 2023 and 2022, respectively. There was no profit sharing contribution for the years ended December 31, 2023 or 2022.

9. INCOME TAXES

The following is an analysis of the Company's deferred tax asset and deferred tax liabilities showing the tax effects of significant temporary differences as of December 31, 2023:

DEFERRED TAX ASSETS:

| | |
|-----------------------------|----------|
| Noncash Lease Expense | \$ 3,266 |
|-----------------------------|----------|

DEFERRED TAX LIABILITIES:

| | |
|---|-------------|
| Accumulated Amortization on Intangible Assets | \$1,473,206 |
|---|-------------|

| | |
|--|--------|
| Accumulated Depreciation on Property and Equipment | 25,369 |
|--|--------|

| | |
|--------------------------------------|--------------------|
| Total Deferred Tax Liabilities | <u>\$1,498,575</u> |
|--------------------------------------|--------------------|

Federal and state income taxes payable consisted of the following as of December 31, 2023:

| | |
|--|----------|
| Current Federal Income Tax Liability | \$ 2,186 |
|--|----------|

| | |
|-----------------------------------|---|
| Federal Income Tax Deposits | 0 |
|-----------------------------------|---|

| | |
|--|-----------------|
| Total Federal Income Taxes Payable | <u>\$ 2,186</u> |
|--|-----------------|

| | |
|--|-----------|
| Current State Income Tax Liability | \$ 12,857 |
|--|-----------|

| | |
|---------------------------------|---|
| State Income Tax Deposits | 0 |
|---------------------------------|---|

| | |
|--|------------------|
| Total State Income Taxes Payable | <u>\$ 12,857</u> |
|--|------------------|

| | |
|--|------------------|
| Total Federal and State Income Taxes Payable | <u>\$ 15,043</u> |
|--|------------------|

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. INCOME TAXES (CONTINUED)

The provision for income taxes consisted of the following for the year ended December 31, 2023:

| | |
|--|-------------------|
| CURRENT INCOME TAXES: | |
| Federal | \$ 2,186 |
| State | <u>12,857</u> |
| Total Current Income Taxes | <u>\$ 15,043</u> |
| DEFERRED INCOME TAXES: | |
| Federal | \$ 59,470 |
| State | <u>39,787</u> |
| Total Deferred Income Taxes | <u>\$ 99,257</u> |
| Total Provision for Income Taxes | <u>\$ 114,300</u> |

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The members have analyzed the tax positions taken by the Company, and have concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company's income tax returns are subject to routine audits by taxing jurisdictions, generally for three years after they were filed; however, there are currently no audits for any tax period in progress.

10. RETAIL STORE OPERATIONS

The Company operates a retail location in Mechanicsburg, Pennsylvania. In addition to its retail operations, the store is also utilized by the Company as a training facility for franchisees. Net income (loss) from retail store operations consisted of the following for the years ended December 31:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|------------------|
| Product Revenue | \$737,534 | \$806,000 |
| Costs of Goods Sold | <u>218,816</u> | <u>241,086</u> |
| Gross Profit | \$518,718 | \$564,914 |
| Operating Expenses | <u>586,020</u> | <u>533,543</u> |
| Net Income (Loss) from Retail Store Operations | <u>\$(67,302)</u> | <u>\$ 31,371</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

11. PRIOR PERIOD ADJUSTMENT

The Company elected to be taxed as a C Corporation effective January 1, 2023. A prior period adjustment in the amount of \$1,396,052 was recorded to recognize the net impact of the deferred tax asset and deferred tax liability representing the beginning balances of the temporary timing differences.

DUCK DONUTS HOLDINGS, LLC
AND SUBSIDIARIES

DECEMBER 31, 2022

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members
Duck Donuts Holdings, LLC and Subsidiaries
Mechanicsburg, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Duck Donuts Holdings, LLC and Subsidiaries (a Limited Liability Company) which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of changes in members' equity, income, and cash flows for the year ended December 31, 2022 and for the period from inception (March 4, 2021) to December 31, 2021, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duck Donuts Holdings, LLC and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the year and initial period 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 Duck Donuts Holdings, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Duck Donuts Holdings, LLC and Subsidiaries 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duck Donuts Holdings, LLC and Subsidiaries 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.

Martin M. Sacks + Associates

February 3, 2023

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash..... | \$ 1,317,729 | \$ 1,360,165 |
| Accounts Receivable..... | 499,793 | 170,775 |
| Prepaid Expenses..... | 100,726 | 109,313 |
| Inventory..... | 13,869 | 16,563 |
| Total Current Assets..... | <u>\$ 1,932,117</u> | <u>\$ 1,656,816</u> |
| PROPERTY AND EQUIPMENT (Less Accumulated Depreciation: 2022 - \$53,056; 2021 - \$15,436) - NOTE 2..... | <u>\$ 197,587</u> | <u>\$ 130,977</u> |
| INTANGIBLE ASSETS..... | <u>\$ 9,319,267</u> | <u>\$ 9,319,267</u> |
| OTHER ASSETS: | | |
| Security Deposits..... | \$ 13,521 | \$ 13,521 |
| Operating Lease Right-of-Use Assets - NOTE 6..... | 613,166 | |
| Total Assets..... | <u>\$ 626,687</u> | <u>\$ 13,521</u> |
| TOTAL ASSETS..... | <u>\$ 12,075,658</u> | <u>\$ 11,120,581</u> |
| <u>LIABILITIES AND MEMBERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| Current Portion of Long-Term Debt - NOTE 3..... | | \$ 8,141 |
| Current Portion of Operating Lease Liabilities... | \$ 193,320 | |
| Accounts Payable..... | 84,288 | 81,072 |
| Accounts Payable - Member - NOTE 7..... | | 8,750 |
| Accrued Expenses..... | 152,534 | 207,564 |
| Gift Cards and Rebates Payable..... | 242,459 | 209,982 |
| Credit Card Payable..... | 31,382 | 15,590 |
| Deferred Franchise Revenue..... | 772,500 | 373,250 |
| Total Current Liabilities..... | <u>\$ 1,476,483</u> | <u>\$ 904,349</u> |
| LONG-TERM OPERATING LEASE LIABILITIES (Less Current Portion) - NOTE 6..... | <u>\$ 432,741</u> | |
| MEMBERS' EQUITY..... | <u>\$ 10,166,434</u> | <u>\$ 10,216,232</u> |
| TOTAL LIABILITIES AND MEMBERS' EQUITY .. | <u>\$ 12,075,658</u> | <u>\$ 11,120,581</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022 AND FOR THE PERIOD
FROM INCEPTION (MARCH 4, 2021) TO DECEMBER 31, 2021

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|----------------------|----------------------|
| BALANCE – BEGINNING OF PERIOD | \$ 10,216,232 | \$ 0 |
| MEMBER CONTRIBUTIONS | | 10,000,000 |
| NET INCOME (LOSS) | <u>(49,798)</u> | <u>216,232</u> |
| BALANCE – END OF PERIOD | <u>\$ 10,166,434</u> | <u>\$ 10,216,232</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022 AND FOR THE PERIOD
FROM INCEPTION (MARCH 4, 2021) TO DECEMBER 31, 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| REVENUES: | | |
| Franchise Sales..... | \$1,452,250 | \$ 704,500 |
| Royalties..... | 3,012,987 | 2,098,049 |
| Marketing Revenue..... | 1,105,675 | 758,818 |
| Other Revenue..... | <u>412,614</u> | <u>262,075</u> |
| Total Revenues..... | <u>\$5,983,526</u> | <u>\$3,823,442</u> |
| OPERATING EXPENSES: | | |
| Salaries..... | \$1,761,440 | \$1,112,415 |
| Payroll Taxes..... | 205,077 | 120,119 |
| Employee Benefits..... | 253,278 | 170,789 |
| Retirement Plan..... | 63,582 | 41,319 |
| Advertising and Marketing..... | 1,849,483 | 1,145,104 |
| Supplies and Small Equipment..... | 26,057 | 30,809 |
| Travel, Meals and Lodging..... | 207,548 | 90,989 |
| Operating Lease Cost/Rent Expense..... | 157,373 | 106,667 |
| Office Expense..... | 45,825 | 28,917 |
| Computer Expenses..... | 146,784 | 76,862 |
| Telephone Expense..... | 21,653 | 13,195 |
| Contracted Services..... | 246,277 | 111,786 |
| Commissions..... | 240,103 | 13,750 |
| Professional Fees..... | 269,679 | 199,785 |
| Management Fee..... | 240,000 | 180,135 |
| Depreciation..... | 33,509 | 12,812 |
| Franchise Setup Costs..... | 15,563 | 26,877 |
| Insurance..... | 61,302 | 36,616 |
| Research and Development Costs..... | 44,881 | 50,808 |
| Projects and Special Events..... | 130,864 | 12,704 |
| Miscellaneous..... | <u>44,192</u> | <u>32,643</u> |
| Total Operating Expenses..... | <u>\$6,064,470</u> | <u>\$3,615,101</u> |
| INCOME (LOSS) FROM OPERATIONS..... | <u>\$ (80,944)</u> | <u>\$ 208,341</u> |
| OTHER INCOME (EXPENSES): | | |
| Interest Expense..... | \$ (225) | \$ (542) |
| Net Income Retail Store Operations - NOTE 9..... | <u>31,371</u> | <u>8,433</u> |
| Total Other Income (Expenses)..... | <u>\$ 31,146</u> | <u>\$ 7,891</u> |
| NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES..... | <u>\$ (49,798)</u> | <u>\$ 216,232</u> |
| PROVISION FOR INCOME TAXES - NOTE 1I..... | <u> </u> | <u> </u> |
| NET INCOME (LOSS)..... | <u>\$ (49,798)</u> | <u>\$ 216,232</u> |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND FOR THE PERIOD
FROM INCEPTION (MARCH 4, 2021) TO DECEMBER 31, 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss)..... | \$ (49,798) | \$ 216,232 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation..... | 38,823 | 15,436 |
| Loss on Disposal of Assets..... | 2,406 | |
| Noncash Lease Expense..... | 12,895 | |
| (Increase) Decrease in: | | |
| Accounts Receivable..... | (329,018) | (127,783) |
| Prepaid Expenses..... | 8,587 | (37,998) |
| Inventory..... | 2,694 | 7,270 |
| Security Deposit..... | | (622) |
| Increase (Decrease) in: | | |
| Accounts Payable..... | 3,216 | 68,741 |
| Accrued Expenses..... | (55,030) | 207,564 |
| Gift Cards and Rebates Payable..... | 32,477 | 191,818 |
| Credit Card Payable..... | 15,792 | (13,248) |
| Deferred Franchise Revenue..... | 399,250 | 58,250 |
| Net Cash Provided by Operating Activities.. | <u>\$ 82,294</u> | <u>\$ 585,660</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment..... | <u>\$ (107,839)</u> | <u>\$ (53,813)</u> |
| Net Cash (Used) by Investing Activities.... | <u>\$ (107,839)</u> | <u>\$ (53,813)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Advance (Repayment) to Member..... | \$ (8,750) | \$ 8,750 |
| Repayments of Long-Term Debt..... | (8,141) | (6,987) |
| Member Cash Contributions..... | <u> </u> | <u>826,555</u> |
| Net Cash Provided (Used) by Financing Activities..... | <u>\$ (16,891)</u> | <u>\$ 828,318</u> |
| NET INCREASE (DECREASE) IN CASH..... | \$ (42,436) | \$1,360,165 |
| CASH - BEGINNING OF PERIOD..... | <u>1,360,165</u> | <u>0</u> |
| CASH - END OF PERIOD..... | <u>\$1,317,729</u> | <u>\$1,360,165</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Period for Interest..... | \$ 225 | \$ 542 |
| Noncash Operating Activities: | | |
| Operating Lease Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities..... | \$ 626,061 | |

See independent auditor's report and accompanying notes.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BUSINESS

Duck Donuts Holdings, LLC and Subsidiaries (the Company) sells and supports franchises of Duck Donuts, made-to-order donut shops. The Company's operations are located in central Pennsylvania.

Duck Donuts Holdings, LLC is the parent company of two operating limited liability companies: Duck Donuts International, LLC which accounts for the activity of the Company's international franchises and Duck Donuts Stores, LLC which operates a retail location from which the Company also provides training to current and prospective franchisees.

On April 13, 2021, the operating assets and liabilities, including all executed franchise agreements, of Duck Donuts Franchising Company, LLC and Subsidiaries were sold and contributed to Duck Donuts Holdings, LLC and Subsidiaries. The transaction resulted in the recognition of \$9,319,267 in goodwill.

B. BASIS OF ACCOUNTING

The Company's consolidated financial statements are prepared using the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. This basis conforms to generally accepted accounting principles.

C. CONSOLIDATION

The consolidated financial statements include the accounts of Duck Donuts Holdings, LLC and its 100% owned subsidiaries Duck Donuts International, LLC and Duck Donuts Stores, LLC. All material intercompany transactions have been eliminated in consolidation.

The Company follows FASB Accounting Standards Codification 810, *Consolidation*, revised standard on accounting for noncontrolling interests. This standard establishes accounting and reporting requirements for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The standard clarifies that a noncontrolling interest is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. REVENUE RECOGNITION

Company revenues consist primarily of initial franchise sales, royalties, and marketing revenue. FASB ASC 606, *Revenue from Contracts with Customers*, provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. Initial nonrefundable franchise fees for licensed stores are recognized upon substantial performance of services for new market business development activities, such as initial business, real estate and store development planning, as well as providing operational materials and functional training courses for opening new licensed retail markets. The services are allocated to three distinct performance obligations and recognized as each phase is completed, based on estimated costs incurred for each phase, some initially upon signing the agreement and some over time up to the store opening. Franchise agreement royalties, inclusive of marketing revenue, represent sales-based royalties that are related entirely to performance obligations under the franchise agreement, including on-going training, store inspections, and menu development, and are recognized on a monthly basis as sales occur over the term of the franchise agreement.

Revenue recognized for the sale of gift cards is deferred by the Company until the customer uses the gift card, whereby the revenue is passed onto the franchisee. The portion of gift cards sold to customers which are never redeemed is referred to as gift card breakage. The Company recognizes gift card breakage using an estimated breakage rate based on the Company's historical experience.

Supplier rebate revenue is recognized at the completion of the purchase period which is determined to be the time the performance obligation is satisfied.

Retail store sales are recognized at the point of service.

E. LEASES

The Company adopted ASU 2016-02, *Leases* (Topic 842), effective January 1, 2022, which among other things, requires the recognition of right-of-use assets and operating lease liabilities on the balance sheet of lessees, along with disclosure of key information about leasing arrangements for leases with a term of greater than 12 months.

The Company determines whether an arrangement is a lease at its inception by determining whether the contract conveys the Company the right to control the use of an identified asset in exchange for consideration over a period of time.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

E. LEASES (CONTINUED)

The Company measures and records an operating lease liability equal to the present value of the future lease payments. Because the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate, determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and in a similar economic environment, is used in determining the present value of lease payments. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Within the provisions of certain leases, there are escalations in payments over the base lease term, which have been reflected in lease expense on a straight-line basis for operating leases over the expected lease term.

The Company has elected the following options upon implementation:

- the practical expedient that allows lessees to choose to not separate lease and nonlease components by class of underlying asset and are applying this expedient to all relevant asset classes.
- the practical expedient package to not reassess at adoption (i) expired or existing contracts as to whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.
- the effective date transition method and therefore, comparative periods are not restated.

Leases with a term of 12 months or less are deemed short-term leases and are not recognized on the consolidated balance sheets for all classes of underlying assets. The Company recognizes expenses on these leases over the lease term.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. DEPRECIATION

Property and equipment are carried at cost. Depreciation is computed using the straight-line method and estimated useful lives as summarized below. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

| <u>CLASSIFICATION</u> | <u>LIFE</u> |
|-------------------------------------|-------------|
| Leasehold Improvements | Lease Term |
| Computer Equipment | 5 Years |
| Office Furniture and Equipment | 5-10 Years |
| Computer Software | 3 Years |
| Restaurant Equipment Owned | 5 Years |
| Retail Store Leasehold Improvements | Lease Term |
| Retail Store Equipment and Fixtures | 5-7 Years |
| Vehicles | 5 Years |

G. INTANGIBLE ASSETS

Intangible assets consist of goodwill which is evaluated annually for impairment.

H. LIMITATION ON LIABILITY OF MEMBERS

The Delaware Limited Liability Company Law provides that a member of an LLC is not personally liable for the LLC's obligations solely by reason of being a member. A member is obligated to the LLC only for the member's promise to make contributions of cash, property, services or specific commitments.

I. INCOME TAXES

The Company files its federal and state income tax returns under the partnership provisions of the income tax laws. Duck Donuts International, LLC and Duck Donuts Stores, LLC are disregarded entities of the Company for income tax purposes. Since the members report the profits or losses of the Company on their respective income tax returns, no provision for income taxes is included in these consolidated financial statements.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. INCOME TAXES (CONTINUED)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The members have analyzed the tax positions taken by the Company, and have concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company's income tax returns are subject to routine audits by taxing jurisdictions, generally for three years after they were filed; however, there are currently no audits for any tax period in progress.

J. ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$1,849,483 and \$1,145,104 for the year and period ended December 31, 2022 and 2021, respectively.

K. CASH EQUIVALENTS

For purposes of consolidated financial statement presentation, the Company considers all short-term, highly liquid investments with maturities of three months or less at the date of their acquisition to be cash equivalents. There were no cash equivalents as of December 31, 2022 or 2021.

L. INVENTORY

Inventory is valued at current cost.

M. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided.

N. USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. COMPENSATED ABSENCES

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

P. RECLASSIFICATION

Certain 2021 amounts have been reclassified to conform with the 2022 presentation to facilitate comparability.

Q. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 4, 2023, the date which the consolidated financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

| | | | | .2022. |
|------------------------|------------------|-------------------------------------|-------------------|---|
| | <u>COST</u> | <u>ACCUMULATED DEPRECIATION</u> | <u>BOOK VALUE</u> | <u>DEPRECIATION FOR THE YEAR THEN ENDED</u> |
| Leasehold | | | | |
| Improvements..... | \$ 5,112 | | \$ 5,112 | |
| Computer Equipment.... | 27,998 | \$ 5,703 | 22,295 | \$ 5,730 |
| Office Furniture and | | | | |
| Equipment..... | 40,891 | 8,003 | 32,888 | 5,043 |
| Computer Software..... | 128,142 | 26,412 | 101,730 | 19,736 |
| Restaurant Equipment | | | | |
| Owned..... | 15,000 | 5,000 | 10,000 | 3,000 |
| Retail Store | | | | |
| Leasehold | | | | |
| Improvements..... | 1,933 | 129 | 1,804 | 129 |
| Retail Store | | | | |
| Equipment and | | | | |
| Fixtures..... | 13,157 | 2,371 | 10,786 | 1,552 |
| Vehicles..... | 18,410 | 5,438 | 12,972 | 3,633 |
| | <u>\$250,643</u> | <u>\$ 53,056</u> | <u>\$197,587</u> | <u>\$ 38,823</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. PROPERTY AND EQUIPMENT (CONTINUED)

. 2021.

| | <u>COST</u> | <u>ACCUMULATED DEPRECIATION</u> | <u>BOOK VALUE</u> | <u>DEPRECIATION FOR THE PERIOD THEN ENDED</u> |
|--|------------------|-------------------------------------|-------------------|---|
| Leasehold | | | | |
| Improvements..... | \$ 5,112 | | \$ 5,112 | |
| Computer Equipment.... | 10,328 | \$ 1,175 | 9,153 | \$ 1,175 |
| Office Furniture and Equipment..... | 33,652 | 2,960 | 30,692 | 2,960 |
| Computer Software..... | 58,642 | 6,676 | 51,966 | 6,676 |
| Restaurant Equipment Owned..... | 15,000 | 2,000 | 13,000 | 2,000 |
| Retail Store Leasehold | | | | |
| Improvements..... | 1,604 | | 1,604 | |
| Retail Store Equipment and Fixtures..... | 6,600 | 819 | 5,781 | 819 |
| Vehicles..... | <u>15,475</u> | <u>1,806</u> | <u>13,669</u> | <u>1,806</u> |
| | <u>\$146,413</u> | <u>\$ 15,436</u> | <u>\$130,977</u> | <u>\$ 15,436</u> |

3. LONG-TERM DEBT

On April 13, 2021, the Company assumed the outstanding equipment note agreement between Duck Donuts Franchising Company, LLC and a local business for office furniture. The agreement called for equal monthly payments of \$837, including principal and interest, fixed at a rate of 6.0%, until the note was paid in full in November 2022. Interest expense for the year and period ended December 31, 2022 and 2021 was \$225 and \$542, respectively.

4. FRANCHISE OWNERSHIP

The following analysis details franchise activity during the year and period ended December 31:

| | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Franchises Sold: | | |
| Domestic..... | 38 | 27 |
| International..... | <u>5</u> | <u>4</u> |
| Total Franchises Sold..... | <u>43</u> | <u>31</u> |
| Franchised Stores in Operation..... | 111 | 104 |
| Franchisor-owned Stores in Operation..... | 1 | 1 |

There were no franchises purchased by the Company during the year and period ended December 31, 2022 or 2021.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances in financial institutions located in Pennsylvania. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The uninsured cash balance was \$1,030,618 and \$1,110,443 as of December 31, 2022 and 2021, respectively.

The Company's accounts receivable are due from franchises and suppliers for rebates. The franchise receivables are personally guarantied by the franchise owners. As of December 31, 2022, accounts receivable of \$105,000 were outstanding from two franchises representing 21% of total accounts receivable. As of December 31, 2021, accounts receivable of \$94,837 were outstanding from three franchises and suppliers representing 56% of total accounts receivable. Remaining outstanding accounts receivable were from franchises and suppliers whose accounts receivable as of December 31, 2022 and 2021, did not individually constitute more than 10% of the total.

6. OPERATING LEASES

The Company leases its corporate office and retail facility from unrelated third parties that expire during 2026 and 2025, respectively. Both leases include renewal options. The renewal options are not included in the calculation of the right-of-use assets and lease liabilities as the Company exercised extensions for each facility during 2022 and the Company has not yet determined if further extensions will be exercised. As of December 31, 2022, operating leases were included in operating lease right-of-use assets and operating lease liabilities on the accompanying consolidated balance sheet. Leases with an initial term of 12 months or less are not recorded with operating lease liabilities. The Company recognizes expense for these leases on a straight-line basis over the lease term. The Company's equipment leases were deemed to be immaterial when calculating future lease obligations.

As of December 31, 2022, the weighted-average remaining lease term and weighted-average discount rate for operating leases were three years and 5%, respectively.

The following is a summary of operating lease costs for the year ended December 31, 2022:

| | |
|--|------------------|
| Corporate Office: | |
| Operating Lease Cost | \$154,520 |
| Other Lease Cost | <u>2,853</u> |
| Operating Lease Cost – Corporate Office | \$157,373 |
| Operating Lease Cost – Retail Operations | <u>70,821</u> |
| Total Operating Lease Cost | <u>\$228,194</u> |

Corporate rent expense was \$106,667 and store rent expense was \$48,833 for the period ended December 31, 2021.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. OPERATING LEASES (CONTINUED)

Operating lease liabilities will mature during subsequent years as follows:

| | |
|---|------------------|
| December 31, 2023 | \$216,943 |
| December 31, 2024 | 236,677 |
| December 31, 2025 | 243,767 |
| December 31, 2026 | <u>14,069</u> |
| Total Future Minimum Lease Payments | \$711,456 |
| Amount Representing Interest | <u>(85,395)</u> |
| Total Operating Lease Liabilities | <u>\$626,061</u> |

7. RELATED PARTY TRANSACTIONS

The Company entered into an agreement with the majority member under which the member is to provide management services for a monthly fee of \$20,000 plus the reimbursement of expenses. The agreement shall remain in effect until the earlier of the mutual agreement of the parties or a sale of the Company. Management fees were \$240,000 and \$180,135 for the year and period ended December 31, 2022 and 2021, respectively.

As of December 31, 2021, the Company had an outstanding payable of \$8,750 to the minority member. It was repaid during the year ended December 31, 2022.

8. RETIREMENT PLAN

The Company has a 401(k) plan. All employees who have attained the age of 21 years and have completed three consecutive months with at least 250 hours of service are eligible for participation in the plan. Eligible employees may elect to make contributions within Internal Revenue Code limitations. The plan also provides for employer matching and discretionary profit sharing contributions. Employer matching contributions were \$63,582 and \$41,319 for the year and period ended December 31, 2022 and 2021, respectively. There was no profit sharing contribution for the year and period ended December 31, 2022 or 2021.

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. NET INCOME FROM RETAIL STORE OPERATIONS

The Company operates a retail location in Mechanicsburg, Pennsylvania. In addition to its retail operations, the store is also utilized by the Company as a training facility for franchisees. Net income from retail store operations consisted of the following for the year and period ended December 31:

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-----------------|
| Product Revenue | \$806,000 | \$569,211 |
| Costs of Goods Sold | <u>241,086</u> | <u>162,675</u> |
| Gross Profit | \$564,914 | \$406,536 |
| Operating Expenses | <u>533,543</u> | <u>398,103</u> |
| Net Income from Retail Store Operations | <u>\$ 31,371</u> | <u>\$ 8,433</u> |

DUCK DONUTS HOLDINGS, LLC AND SUBSIDIARIES

DECEMBER 31, 2021

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EXHIBIT F**FRANCHISED OUTLETS**

As of December 31, 2024

| Franchisee | Address | City/State | Phone |
|--------------------------------|--|-------------------------------|--------------|
| ARIZONA | | | |
| Daniel Bruno | 4040 S Arizona Ave Suite 8, | Chandler, AZ 85248 | 480-350-7763 |
| Daniel Bruno | 22480 E. Ocotillo Road; C101 | Queen Creek, AZ 85142 | 480-454-3674 |
| ARKANSAS | | | |
| Hans & Cynthia Holmer | 2301 W. Pleasant Grove Road; Suite 109 | Rogers, AR 72758 | 479-372-6003 |
| CALIFORNIA | | | |
| Gary Kopel * | 18591 Main St. | Huntington Beach, CA 92648 | 714-375-5430 |
| Gary Kopel | 2222 Michelson Dr. Ste 200 | Irvine, CA 92612 | 949-734-6900 |
| Gary Kopel | 7834 Kew Avenue | Rancho Cucamonga, CA 91739 | 714-794-7541 |
| COLORADO | | | |
| Tyler Maxey and Brian Moffatt | 4842 Larimer Parkway | Johnstown, CO 80534 | 970-663-4652 |
| FLORIDA | | | |
| Kacie & Kevin Dragstedt | 1405 Cornerstone Blvd Suite C | Daytona Beach, FL 32117 | 386-256-7714 |
| Edward Kaplan & Max Yankelvich | 6900 Daniels Parkway, Unit #A-14 | Fort Myers, FL 33912 | 239-495-3825 |
| Craig Hutchings | Old St. Augustine Rd & Bartram Park Blvd #141 | Jacksonville, FL 32258 | 904-438-5665 |
| Edward Kaplan & Max Yankelvich | 4111 Tamiami Trail North | Naples, FL | 239-238-1088 |

| Franchisee | Address | City/State | Phone |
|-----------------------------------|---|---------------------------|--------------|
| | | 34103 | |
| Jay Patel | 821 E. Bloomingdale Avenue | Brandon, FL 33511 | 813-315-9661 |
| Reggie & Michelle Anderson | 14926 North Dale Mabry Highway | Tampa, FL 33624 | 904-392-1780 |
| Edward Kaplan & Max Yankelovich | 11225 Miramar Parkway, Bay #205 | Miramar, FL 33025 | 954-391-8360 |
| GEORGIA | | | |
| Jae Lee | 3005 Old Alabama Road #170 | Alpharetta, GA 30022 | 470-385-6303 |
| Andrew Doring | 1281 Johnson Ferry Road, Suite 116 | Marietta, GA 30068 | 770-693-1622 |
| Mark & Nicole Camplen | 1720 Mars Hill Road; Suite #7 | Acworth, GA 30101 | 866-784-1343 |
| IDAHO | | | |
| Todd & Kimberlee Guin | 2126 N. Eagle Road, Suite 140 | Meridian, ID 83646 | 208-926-6670 |
| Bonnie & Wyatt Wetsel | 2675 Sunnyside Road | Ammon, ID 83406 | 208-932-7036 |
| Bonnie & Wyatt Wetsel | 148 Cheney Drive West, Suite 200 | Twin Falls, ID 83301 | 208-825-1793 |
| ILLINOIS | | | |
| Kelsey Anderson and Felicia Osler | 111 School Street | Libertyville, IL 60048 | 847-744-9178 |
| Kevon Gardner | 3124 South Illinois Route 59; Suite 124 | Naperville, IL 60564 | 718-635-0824 |
| Dhara Chaudhary | 318 Commons Drive; Suite 5000 | Geneva, IL 60134 | 630-948-8773 |
| Mark Trivedi | 925 S. Rand Road | Lake Zurich, IL 60047 | 224-662-4528 |
| IOWA | | | |
| Shane Torres | 1010 Tyler Street | Polk City, IA 50226 | 515-329-6613 |
| KANSAS | | | |
| Ryan McNeil * | 3630 W. 95 th St. | Leawood, KS | 913-549-4239 |

| Franchisee | Address | City/State | Phone |
|---|---------------------------------------|---------------------------|--------------|
| | | 66206 | |
| Ryan & Katie McNeil | 4002 West 83 rd Street | Prairie Village, KS 66208 | 913-586-2918 |
| KENTUCKY | | | |
| MARYLAND | | | |
| Heuiyeon Yoo | 1327 Rockville Pike | Rockville, MD 20852 | 301-296-1988 |
| MASSACHUSETTS | | | |
| Rakesh Gopal | 102B Providence Highway | Walpole, MA 02302 | 508-505-4917 |
| MINNESOTA | | | |
| Saketh & Mala Chakilam | 7455 Currell Blvd. Ste 107 | Woodbury, MN 55125 | 651-846-9956 |
| MISSOURI | | | |
| Jay & Kathleen Criscione | 1651 Clarkson Road | Chesterfield, MO 63017 | 636-778-7770 |
| Alex Roodman; Randi Roodman; Steven Roodman | 5536 NE Antoch Road | Kansas City, MO 64119 | 573-488-5346 |
| NEVADA | | | |
| Gary Kopel | 3615 S. Las Vegas Blvd; Suite 112-116 | Las Vegas, NV 89109 | 714-794-7541 |
| NEW JERSEY | | | |
| Joseph Michael * | 1275 Route 35 | Middletown, NJ 07748 | 732-671-3825 |
| Dave Angelo | 3246 Dune Drive | Avalon, NJ 08202 | 609-830-3202 |
| Mihir & Binita Shah | 215 Route 22 East, #7 | Green Brook, NJ 08812 | 732-529-5263 |
| Farzad & Masuma Chinwala | 77 Central Avenue | Clark, NJ 07066 | 732-540-8711 |
| Mihir Shah; Keyush Shah | 101 South Route 73 #141 | Marlton, NJ | 856-267-5330 |

| Franchisee | Address | City/State | Phone |
|---------------------------------|--------------------------------|----------------------------|--------------|
| | | 08053 | |
| Dave & Lynda Angelo | 33 42nd Street Unit #1 | Sea Isle City, NJ 08243 | 609-478-3206 |
| Tasneem Sabir; Jasmine Dalia | 556 Route 17 North | Paramus, NJ 07652 | 201-483-3973 |
| Miten Patel | 300-330 Route 18 N. | East Brunswick, NJ 08816 | 732-360-8460 |
| Carrie Neigel | 458 Route 10; Unit #7 | Whippany, NJ 07981 | 973-887-0900 |
| Irina Dsilva | 2040 Highway 9, Space D120 | Old Bridge, NJ 08857 | 917-924-3197 |
| NEW YORK | | | |
| Omar Athar & Sana Rafique | 2425 Jericho Turnpike | Garden City, NY 11040 | 516-400-6919 |
| Veronica Bencivenga | 586 Veterans Memorial Hwy #1B | Hauppauge, NY 11788 | 631-656-8400 |
| David Marks | 579 Troy Schenectady Road | Latham, NY 12110 | 518-608-0040 |
| David Foncello | 805 Mamaroneck Ave | Mamaroneck, NY 10543 | 914-825-9722 |
| Veronica Bencivenga | 49 College Plaza | Selden, NY 11784 | 631-846-7777 |
| David Foncello | 423 Tarrytown Road, Suite 393 | White Plains, NY 10607 | 914-219-4811 |
| Umar Alizai | 61-32 190 th Street | Fresh Meadows, NY 11365 | 718-971-9886 |
| Omar Athar & Sana Rafique | 2334 Hempstead Turnpike | East Meadow, NY | 516-500-3910 |
| NORTH CAROLINA | | | |
| Keith Exton | 5230 N. Virginia Dare Trail | Kitty Hawk, NC 27949 | 252-261-3312 |
| Keith Exton | 1190 Duck Road | Duck, NC 27949 | 252-480-3304 |
| Keith Exton | 1716 North Croatan Hwy; Rm 09C | Kill Devil Hills, NC 27948 | 252-480-3320 |

| Franchisee | Address | City/State | Phone |
|------------------------------------|---------------------------------|---------------------------|--------------|
| | | | |
| Keith Exton | 603 Currituck Clubhouse Dr | Corolla, NC 27927 | 252-453-3210 |
| Kelly Trimyer * | 100 Wrenn Drive- Suite 101 | Cary, NC 27511 | 919-468-8722 |
| Martin Walsh | 420 Arlington Blvd | Greenville, NC 27858 | 252-689-3605 |
| Kelly Trimyer * | 8323 Creedmoor Road | Raleigh, NC 27613 | 919-847-3800 |
| Eric Nelson | 2132 Skibo Rd | Fayetteville, NC 28314 | 910-487-0386 |
| Brett McCollom & Brantly Thomas | 182 Merrimon Ave. Unit 2 | Asheville, NC 28801 | 828-575-2177 |
| Rebecca Johnson * | 409 Pisgah Church Rd | Greensboro, NC 27455 | 336-291-8200 |
| Rebecca Johnson * **FT | 2766 Highway 68 North #101 | Highpoint, NC 27265 | 336-804-5571 |
| Keith Exton | 5000 S. Croatan Highway Unit 25 | Nags Head, NC 27959 | 252-255-5730 |
| Kelly Trimyer * | 5320 McFarland Road Ste 140 | Durham, NC 27707 | 919-973-1305 |
| Keith Exton | 41934 NC-12 | Avon, NC 27915 | 252-995-9950 |
| Todd Perry **FT | 3481 Burke Mill Rd. | Winston Salem, NC 27103 | 336-727-3419 |
| Brandon & Kelly Trimyer | 2414 Wycliff Road; #101 | Raleigh, NC 27615 | 919-750-8045 |
| OHIO | | | |
| Brad Hobbs | 825 Polaris Parkway | Westerville, OH 43082 | 614-896-6450 |

| Franchisee | Address | City/State | Phone |
|--------------------------------|--|---------------------------|--------------|
| Joshua Cook & Erin O'Connell | 1200 Brown Street | Dayton, OH 45409 | 937-951-2618 |
| Brad Hobbs * | 7717 Sawmill Road | Dublin, OH 43016 | 614-726-9399 |
| Steven Kiley | 10710 Blacklick-Eastern Road NW; Suite 300 | Pickerington, OH 43147 | 614-604-9065 |
| PENNSYLVANIA | | | |
| Scott Rhodes | 2097 Fruitville Pike Building C | Lancaster, PA 17601 | 717-435-9655 |
| Kelly Gonsalves | 1411 Lincoln Hwy | Levittown, PA 19056 | 267-580-5224 |
| Rebecca & Christopher Miller | 100 Siena Drive, Suite 220 | Pittsburgh, PA 15241 | 412-833-3825 |
| Scott Rhodes | 125 South Fraser Street | State College, PA 16801 | 814-954-4829 |
| Kelly Gonsalves * | 4608 D Broadway Road | Allentown, PA 18104 | 610-628-3636 |
| Todd Rindfuss * | 201 Main Street Ste 106 | King Of Prussia, PA 19406 | 484-231-8570 |
| Ken Bonnell and Heather Tittle | 261 West Chocolate Avenue | Hershey, PA 17033 | 717-298-6096 |
| Terry Matalavage | 1353 Dilworthtown Crossing | West Chester, PA 19382 | 484-301-3452 |
| Todd Rindfuss * | 220 Plaza Drive | Collegeville, PA 19426 | 484-854-6959 |
| Bennett Winters | 1035 Shoppes Boulevard; Unit 1121 | Moosic, PA 18507 | 570-285-4855 |
| Bennett Winters | 251 Mundy Street; Suite 103 | Wilkes-Barre, PA 18702 | 570-762-9202 |
| David & Laura Mertz | 3560 Route 611, Unit 16B | Bartonsville, PA 18321 | 272-271-2922 |
| Mauro & Kristen Ciabattoni | 90 Commerce Drive; Suite 86 | Wyomissing, PA 19610 | 610-546-2298 |
| Sachin Patel | 1540 North Main Street; Unit 707 | Warrington, PA 18976 | 215-343-3729 |
| Juan & Kelly Gonsalves | 4423 Birkland Place, Unit 352 | Easton, PA 18045 | 484-373-9233 |

| Franchisee | Address | City/State | Phone |
|----------------------------------|-------------------------------------|---------------------------------|--------------|
| Juan & Kelly Gonsalves | 930 Stony Hill Road; Building #4 | Yardley, PA 19067 | 267-291-7118 |
| <u>PUERTO RICO</u> | | | |
| German Fuentes | Unit B169, 60 Ave Rio Hondo | Bayamon, PR 00961 | 787-620-2587 |
| German Fuentes | Ave 65 Intaneria (PR-3) & PR8 OP6C | Carolina, PR | 787-647-2565 |
| <u>SOUTH CAROLINA</u> | | | |
| Clayton Galindo | 702 Cross Hill Road, #100B | Columbia, SC 29205 | 803-888-7424 |
| Mike & Jennifer Dille | 3935 Pelham Road, Suite J | Greenville, SC 29605 | 864-214-1888 |
| Clayton Galindo | 810 Brayden Parkway, Suite 101 | Fort Mill, SC 29708 | 803-228-4018 |
| Scott Ostrom; Drew Kelly | 890 William Hilton Parkway Suite 70 | Hilton Head, SC 29928 | 843-842-3825 |
| Matt Wagner | 117 Maryport Drive Unit #1 | Myrtle Beach, SC 29575 | 843-839-3825 |
| Matt Wagner | 779 Main Street | North Myrtle Beach, SC 29582 | 843-663-3825 |
| Clayton Galindo | 1812 Sam Rittenberg Blvd. #16B | Charleston, SC 29407 | 843-724-9917 |
| Deep Patel; Sanjaykumar Patel | 1360 Celebration Blvd; Unit A | Florence, SC 29501 | 843-407-4637 |
| Lee Warden | 2123 Augusta Street | Greenville, SC 29605 | 704-740-5680 |
| <u>TENNESSEE</u> | | | |
| Blake Beard | 2115 Gunbarrel Road, #A-11 | Chattanooga, TN 37421 | 423-521-3825 |
| Brett McCollom & Brantly Thomas | 6104 Kingston Pike | Knoxville, TN 37919 | 865-236-1393 |
| Matt Davenport | 101 Creekside Crossing, Suite 1000 | Brentwood, TN 37027 | 615-964-7873 |

| Franchisee | Address | City/State | Phone |
|-------------------------------|---|---------------------------|--------------|
| | | | |
| Lydia Depew and Kent Williams | 460 Pinnacle Parkway, Suite 258 | Bristol, TN 37620 | 423-573-3872 |
| Churirat & Scott Lane | 2059 South Houston Levee Road; Suite 119 | Collierville, TN 38139 | 901-580-4104 |
| TEXAS | | | |
| Ben Newell | 18616 Limestone Commercial Drive, Suite 250 | Pflugerville, TX 78660 | 512-520-8120 |
| Ben Newell **FT | 11703 Huebner Rd. #113 | San Antonio, TX 78230 | 210-476-5500 |
| Ben Newell | 7010 W Loop 1604 N | San Antonio, TX 78254 | 210-236-5886 |
| Justin & Morgan Thomas | 6387 Camp Bowie Blvd, Suite A | Fort Worth, TX 76116 | 806-605-2156 |
| UTAH | | | |
| Justin Bingham | 10352 River Heights Drive #103 | South Jordan, UT 84095 | 801-987-8983 |
| VIRGINIA | | | |
| Hunter Davis * **FT | 4655 Monticello Ave-Unit 103 | Williamsburg, VA 23188 | 757-258-3825 |
| Hunter Davis * | 3030 Virginia Beach Blvd | Virginia Beach, VA 23452 | 757-351-6530 |
| Rebecca Johnson * | 2075 Bond Street | Charlottesville, VA 22901 | 434-823-1960 |
| Keith Kirkland | 300 A Elden Street | Herndon, VA 20170 | 703-707-8496 |
| Keith Kirkland **FT | 10694 Fairfax Blvd | Fairfax, VA 22030 | 703-383-3039 |
| Farah Malik & Tarique Tabbani | 10286 Bristow Center Drive | Bristow, VA 20136 | 571-535-4492 |
| Craig Davis | 233 Laskin Road | Virginia Beach, VA 23451 | 757-962-1990 |

| Franchisee | Address | City/State | Phone |
|---|--|--------------------------|--------------|
| | | | |
| Johnny Yong Jun | 2511 North Harrison Street | Arlington, VA 22207 | 703-300-9174 |
| Farah Malik & Tarique Tabbani | 15101 Potomac Town Place, Suite #140 | Woodbridge, VA 22191 | 571-429-7330 |
| Tesfaye Dres | 3610-F King Street | Alexandria, VA 22302 | 571-357-1742 |
| Emma Phares | 3564 Electric Rd. #18 | Roanoke, VA 24018 | 540-206-2490 |
| Chris Torio * | 1329 North Battlefield Blvd. | Chesapeake, VA, 23320 | 757-410-9898 |
| Chris Torio * | 1541 Premium Outlets Boulevard, Suite 160 | Norfolk, VA 23502 | 757-461-3825 |
| Tesfaye Dres | 8404 A Old Keen Mill Road | Springfield, VA 22152 | 703-712-7453 |
| Hunter Davis * | 1013 University Boulevard Unit #260 | Suffolk, VA 23435 | 757-483-8917 |
| Sara & Ralph Jernigan | 3405 Candler's Mountain Road; Space L-4 | Lynchburg, VA 24502 | 434-810-6730 |
| David Roop & Phillip Lewis | 3103 Valley Avenue; Unit 104 | Winchester, VA 22601 | 540-773-5262 |
| Johnny Yong Jun | 43090 Peacock Market Plaza; Unit 150 | South Riding, VA 20152 | 571-946-8237 |
| Fernando & Jennifer Castro | 43150 Broadlands Center Plaza; Suite 156 | Ashburn, VA 20148 | 619-393-6783 |
| DJ Chung; Hyein Kim | 5955 Centreville Crest Lane; Store #8 | Centreville, VA 20121 | 703-686-8734 |
| Dheeraj and Marylee Tuniki | 6620 Watts Road; Building 6 | Haymarket, VA 20169 | 703-488-7181 |
| WISCONSIN | | | |
| Amanda Kienbaum; Mark Kienbaum; David Crain | 3308 University Avenue | Madison, WI 53705 | 608-747-5555 |
| <u>INTERNATIONAL</u> | | | |

| Franchisee | Address | City/State | Phone |
|--|---|--|------------------|
| Anjal Arabia Contracting & Trading Co. | 6656 Wadi Alshoka St. Qurtuba District | Riyadh KSA 13248 | +966-11-203-3737 |
| Diana & Stuart Reid | Appleby Village; 5010 Pinedale Avenue, Unit 100 | Burlington, Ontario : Canada | +1 905-632-8448 |
| Ahmed Ihab | Festival Mall – Ground Floor | Cairo, Egypt | |
| Ahmed Ihab | Zamalek – Mohamed Mazhar Street | Zamalek, Cairo, Egypt | |
| Joseph Kim | Krung Thep Mahanakhom | Bangkok, Thailand | |
| Victor Nazeem R. Agha | Area 13 Mushreib Al Khaleej Stret | Doha, Qatar | |
| Usman Zafar | 5-P/Gulberg II, MM Alam Road | Lahore, Punjab, Pakistan | 92 42 32355644 |
| Usman Zafar | Plaza #3, Shop 3C Business Bay | Lakecity, Lahore Punjab, Pakistan | 92 309 9980870 |
| William Paardekooper Robert Wever | z/n Plasa Margaret Abraham Retail #2 | Willemstad, Curacao – Netherlands Antilles | |
| Ahmed Ihab | AI Gas Station, Zahraa Maadi 2 | Cairo, Al Qahirah, Egypt | 201005555779 |
| Edilberto Bravo | 1331 Angono Street; Pob. Makati | Manila, Phillippines | 63-02-8890-6103 |
| Edilberto Bravo | Circuit Mall, Circuit Makati 1207 | Manila, Phillippines | |
| Mercianna Moxey | 2MVM+56W, Prince Charles Drive | Nassau, Grand Bahama – Bahamas | 242-812-9173 |

*Multi-Unit Developer

**FT - Also operate food truck/trailer

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FRANCHISEES WITH SIGNED AGREEMENTS
OUTLETS NOT YET OPEN
(As of December 31, 2024)

| Franchisee | City/State | Phone |
|--|-------------------------------------|--------------|
| CALIFORNIA | | |
| Murat Bayramoglu | San Francisco, CA | 415-910-6630 |
| CONNECTICUT | | |
| Christopher Cassese and Robert ElHage | Orange, CT | 516-524-6044 |
| FLORIDA | | |
| George Widunas | Sarasota, FL | 423-384-8300 |
| Jay Patel * | Tampa, FL | 813-758-4076 |
| Kristen Maloney & Ron Bevan | Jacksonville, FL | 908-403-5284 |
| Reginald & Michelle Anderson | S. Riverview, FL | 865-293-7423 |
| Kevin Harris; Spencer Carpenter | Royal Palm Beach, FL | 205-529-6561 |
| Kevin Harris; Spencer Carpenter | West Palm Beach, FL | 205-529-6561 |
| Bob Amin | Lynn Haven, FL | 850-867-0587 |
| Michael & Christina Putnam * | Brooksville, FL | 831-915-8542 |
| GEORGIA | | |
| Naomi Smith; Leronnie Harris * | Macon, GA | 478-461-6482 |
| ILLINOIS | | |
| Jaymin Patel * | Chicago, IL | 708-691-8006 |
| MARYLAND | | |
| Cameron Moore & Scot Moore | College Park / Bowie, MD | 301-758-2862 |
| Sannel & Kwisha Patel | Ellicott City, MD | 612-607-2353 |
| Farah Malik & Tarique Tabbani | Gaithersburg, MD | 703-565-7414 |
| Stacy Volovar * | Frederick & Hagerstown, MD | 301-639-6966 |
| NEVADA | | |
| Romy Park & Jacob Rivera | Summerlin, NV | 949-294-8854 |
| NEW JERSEY | | |
| Irina D'Silva | Manalapan, NJ | 917-815-0461 |
| Farzad & Masuma Chinwala | Windsor, NJ | 973-615-3563 |
| Jasmine Dalia & Tasneem Sabir | Robbinsville, NJ | 201-889-7212 |
| Phillip and Megan Suarez | Hillsborough, NJ | 908-310-2396 |
| Ronak Patel and Jatin Patel * | South Brunswick & Edison, NJ | 732-491-3616 |
| Miten Patel | Wayne, NJ | 201-294-8684 |
| NEW YORK | | |
| Rafaqat Athar | Brooklyn Heights / Williamsburg, NY | 516-728-0161 |
| Syed Hasan * | Huntingdon, NY | 917-574-9994 |
| Brandon Molina; Christopher Molina; Julio Caceda | Queens, NY | 917-370-6143 |
| Choudhry Javaid * | Stony Brook, NY | 516-998-6291 |
| Khaled Ahmed | Bronx, NY | 718-581-9334 |
| Omar Athar & Sana Rafique | Plainview, NY | 516-603-2710 |
| NORTH CAROLINA | | |

| | | |
|---------------------------------|-----------------------------------|--------------|
| Birgundi Baker & Brandi Simmons | Wendell, NC | 919-412-8748 |
| Todd Perry | Boone, NC | 336-816-2977 |
| PENNSYLVANIA | | |
| Christopher & Rebecca Miller | Pittsburgh, PA | 412-874-3412 |
| SOUTH CAROLINA | | |
| Jennifer & Greg Epperson | Summerville, SC | 843-371-0289 |
| TENNESSEE | | |
| Brett McCollom & Brantly Thomas | Gatlinburg, TN | 865-776-2843 |
| Brett McCollom & Brantly Thomas | Pigeon Forge, TN | 865-776-2843 |
| Russell Abercrombie * | West Knoxville & Maryville, TN | 205-238-0041 |
| TEXAS | | |
| Alberto Vela | Mission, TX | 956-935-8410 |
| Suhani Bhakta and Dona Jose * | Sugarland and Montrose, TX | 979-480-3670 |
| Amanda Perkins * | Spring or Frisco, TX | 985-687-8723 |
| Brian Raji and Monica Patel | Cypress, TX | 281-460-1350 |
| UTAH | | |
| Cameron Young | St. George / Cedar City, UT | 435-272-7705 |
| VIRGINIA | | |
| Luis Hernandez | Fredericksburg, VA | 571-243-0488 |
| WISCONSIN | | |

* Multi-Unit Developer

FORMER FRANCHISEES

(As of December 31, 2024)

that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

| Franchisee | City/State | Phone |
|---|--|--------------|
| Gary Kopel; Minal Mehta | Garden Grove, CA and Santa Monica, CA | 714-794-7541 |
| Edward Kaplan; Max Yankelevich | Boca Raton, FL | 718-909-7474 |
| Timothy & Renee McGrew | Tallahassee, FL | 808-351-8722 |
| Jeff Penn; Terri Penn; Brandon Texas | Louisville, KY 2 shops | 502-330-0697 |
| Justin Butler | Mall of America, MN | 704-490-6966 |
| Andre Walters | Charlotte, NC | 704-281-3252 |
| Pansy McRae | Charlotte, NC | 917-553-4154 |

| | | |
|---------------------------|--------------------------------|--------------|
| | 2 shops | |
| Christopher McMillian | Mt. Airy, NC | 336-710-6288 |
| Wael Abdulfattah | Edmonton, Ontario, Canada | 780-710-3018 |
| Brad Hobbs | Fairlawn, OH and Cleveland, OH | 614-747-2723 |
| Eric Nelson | Fayetteville, NC | 910-487-0386 |
| Terry Matalavage | West Chester, PA | 484-301-3452 |
| Jonathan & Trishia Brooks | Scottsdale, AZ | |
| Hunter Davis | VA Beach | 757-373-5634 |

EXHIBIT G
STATE ADDENDA

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

The Department of Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.

4. Item 17 is amended to state:

- (a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
- (b) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- (c) The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

- (d) The Franchise Agreement requires application of the laws of

Pennsylvania. This provision may not be enforceable under California law.

5. Statement 1 of Exhibit H of the Franchise Disclosure Document is amended to delete:

“and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.”

6. The following statement is added to Item 6:

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

7. 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.

ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

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.

The parties hereto have duly executed this California Addendum to the Multi-Unit Development Agreement on the same date as that on which the Multi-Unit Development Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

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.

The parties hereto have duly executed this California Addendum to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

Illinois law shall apply to and govern the Franchise Agreement.

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.

Franchisee's right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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.

AMENDMENT TO THE DUCK DONUTS FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the “Act”), which govern the attached Duck Donuts Franchise Agreement (the “Franchise Agreement”), the parties thereto agree as follows:

1. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois.”

2. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Illinois law governs the terms of this Franchise Agreement.”

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.”

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

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.

The parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By:_____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By:_____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

**AMENDMENT TO THE DUCK DONUTS MULTI-UNIT DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement(s).

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.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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.

Signatures to Follow

The parties hereto have duly executed this Illinois Amendment to the Multi-Unit Development Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT
TO
THE INDIANA FRANCHISE DISCLOSURE LAW AND THE
INDIANA DECEPTIVE FRANCHISE PRACTICES ACT

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985) (collectively referred to as the “Acts”). To the extent that (a) the jurisdictional requirements of the Acts are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) To the extent the Franchise Agreement contains provisions allowing the establishment of franchisor-owned outlets that are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(2), the requirements of this section of the Indiana Act will control.
- (b) The franchisor may not make any substantial modification of the Franchise Agreement without the franchisee’s written consent.
- (c) To the extent any provision regarding renewal or termination of the Franchise Agreement is inconsistent with the Indiana Deceptive Franchise Practices Act §§ 23-2-2.7(7) and (8), the provisions of these sections of the Indiana Act will control.
- (d) Any requirement in the Franchise Agreement that requires the franchisee to prospectively assent to a release, assignment, novation, wavier or estoppel shall not relieve any person from liability arising under the Acts.
- (e) To the extent the covenants not to compete upon expiration or termination of the Franchise Agreement are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(9), the provisions of this section of the Indiana Act will control.
- (f) To the extent that any provision of the Franchise Agreement would be deemed unenforceable pursuant to the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10), as this section of the Indiana Act is interpreted and applied, such provision of the Franchise Agreement shall be so deleted therefrom.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

The Office of Attorney General for the State of Maryland requires that certain provisions contained in franchise documents be amended to be consistent with Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Maryland Franchise Law”). To the extent that this Disclosure Document or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. No requirement that you agree to any release, assignment, novation, estoppel or waiver of liability as a condition to your purchasing a Duck Donuts franchise shall act as a release, estoppel or waiver of any liability under the Maryland Franchise Law.

2. Item 5 is amended to state:

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

3. Item 17 is amended to state:

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

(b) Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law.

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

(d) Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

4. 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.

AMENDMENT TO THE DUCK DONUTS FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Duck Donuts Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee’s assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 5 or Section 16.3 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 6.1.1 of the Franchise Agreement is hereby amended to further state:

“Based upon Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its initial pre-opening obligations under the Franchise Agreement, and the franchisee has opened their franchise outlet.”

3. To the extent of any inconsistencies, Section 17.1 of the Franchise Agreement is hereby amended to further state:

“Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).”

4. To the extent of any inconsistencies, Section 20.3 of the Franchise Agreement is hereby amended to further state:

“Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.”

5. To the extent of any inconsistencies, Section 20.8 of the Franchise Agreement is hereby amended to further state:

“Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.”

6. To the extent of any inconsistencies, the Franchise Agreement and Franchisee Acknowledgement Statement, are hereby amended to further state:

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

7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and

Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

8. 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.

The parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer

(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

**AMENDMENT TO THE MULTI-UNIT DEVELOPMENT AGREEMENT REQUIRED BY
THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Duck Donuts Multi-Unit Development Agreement (the “Multi-Unit Development Agreement”) agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee’s assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 6 of the Multi-Unit Development such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 4.1 of the Multi-Unit Development Agreement is hereby amended to add:

“Based upon Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed shall be deferred until the Franchisor completes its initial pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

3. To the extent of any inconsistencies, Section 7.1 of the Multi-Unit Development Agreement is hereby amended to further state:

“Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).”

4. To the extent of any inconsistencies, Section 10.5 of the Multi-Unit Development Agreement is hereby amended to further state:

“Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.”

5. To the extent of any inconsistencies, Section 10.8 of the Multi-Unit Development Agreement is hereby amended to further state:

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

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

7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

8. The acknowledgement section of the Franchise Agreement is hereby deleted in its entirety.

The parties hereto have duly executed this Maryland Amendment to the Multi-Unit Development Agreement on the same date as that on which the Multi-Unit Development Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MINNESOTA

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

2. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Duck Donuts franchise.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J).

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise

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

AMENDMENT TO THE DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Statutes Chapter 80C, the parties to the attached Duck Donuts Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee's assent to a release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 5.2.5 or 16.3.6 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 5.1.1 of the Franchise Agreement is hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 4, Franchisor will give Franchisee 180 days' notice for non-renewal of the Franchise Agreement."

3. To the extent of any inconsistencies, Section 6.4 of the Franchise Agreement is hereby amended to state that the non-sufficient funds fee is Thirty Dollars (\$30.00) per occurrence.

4. To the extent of any inconsistencies, Sections 17.1 through 17.3 of the Franchise Agreement are hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 3, Franchisor will give Franchisee 90 days notice of termination (with 60 days to cure)".

5. To the extent of any inconsistencies, Article 20, Dispute Resolution, of the Franchise Agreement is hereby amended to state:

"Franchisor cannot require Franchisee to: (i) conduct litigation outside Minnesota, (ii) waive a jury trial, or (iii) consent to liquidated damages, termination penalties or judgment notes. Nothing in this Franchise Agreement shall abrogate or reduce (1) any of Franchisee's rights as provided for in Minn. Stat. Chapter 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief."

6. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes Chapter 80C are met independently without reference to this Amendment.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

The parties hereto have duly executed this Minnesota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is

subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

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

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

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

The foregoing choice of law should not be considered a waiver of any right

conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NEW YORK RIDER TO DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT

THIS RIDER TO THE FRANCHISE AGREEMENT FOR NEW YORK (“Rider”) is entered into by and between Duck Donuts Holdings, LLC, a Delaware limited liability company, with its principal office at 1215 Manor Drive, Suite 302, Mechanicsburg, Pennsylvania, 17055 (“we,” “us” or “our”) and _____ (“you” or “your”), whose principal business address is _____.

WHEREAS, we and you have entered into a certain Franchise Agreement dated _____, which grants you the right to operate a Duck Donuts franchise (the “Franchise Agreement”);

WHEREAS, you are domiciled in New York and the Duck Donuts franchise will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York; and

WHEREAS, in recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680-695, we and you desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Rider.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Franchise Agreement and this Rider and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, we and you agree as follows:

1. Sections 5.2.5 and 16.3.6 of the Franchise Agreement are amended by adding the following language to each Section:

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

2. Section 16.1.1 of the Franchise Agreement is amended by adding the following language to this Section:

However, to the extent required by applicable law, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment.

3. Section 20.5 of the Franchise Agreement is amended by adding the following language:

New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695. The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

4. In the event of any conflict between a provision of the Franchise Agreement and this Rider, the provision of this Rider shall control. All terms which are capitalized in this Rider and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Rider, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

5. Each provision of this Rider will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, Sections 680-695 are met independent of this Rider.

The parties hereto have duly executed this New York Rider to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE DUCK DONUTS HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* (“NDFIL”). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06. ^[11]_[SEP]
2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.
3. Any requirement that you consent to liquidated damages or termination penalties shall not apply to the extent prohibited by the NDFIL;
4. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;
5. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extent prohibited by the NDFIL;
6. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.
7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
8. In the State of North Dakota, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business, and it is operating. The North Dakota Securities Department imposed this deferral requirement due to Franchisor's financial condition.

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The parties hereto have duly executed this North Dakota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer

(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____,
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ADDENDUM TO THE DUCK DONUTS HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF
RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of Duck Donuts Holdings, LLC (“we,” “us,” or “our”) for use in the State of Rhode Island shall be amended to include the following:

1. Items 17v. and 17w., under the provisions entitled “Choice of law” and “Choice of forum,” shall be supplemented with the following language:

However, you may sue us in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

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

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

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AMENDMENT TO THE DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, the parties to the attached Duck Donuts Holdings, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. The following language shall be added at the end of Section 20.5 of the Franchise Agreement:

Notwithstanding the above, Rhode Island franchisees are permitted to bring a lawsuit in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

-Signatures to follow

The parties hereto have duly executed this Rhode Island Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following statements are added to Item 17.h.

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise."

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WASHINGTON

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

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

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

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a

fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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AMENDMENT TO THE DUCK DONUTS HOLDINGS, LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON

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

General Release attached as Attachment 3 to the Franchise Agreement to provide that the release contained therein does not apply to claims that arise under the Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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

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

The parties hereto have duly executed this Washington Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

DUCK DONUTS HOLDINGS, LLC

By: _____

Gary Hitterdal, Chief Operating Officer
(Print Name, Title)

FRANCHISEE (Entity):

By: _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

***NOT FOR USE IN CALIFORNIA**

EXHIBIT H-1

***DO NOT SIGN THIS FRANCHISEE ACKNOWLEDGMENT IF YOU ARE A RESIDENT OF MARYLAND OR THE BUSINESS IS TO BE OPERATED IN MARYLAND.**

FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee acknowledges that it has received the Duck Donuts Holdings, LLC, Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for

Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE DUCK DONUTS HOLDINGS, LLC, DUCK DONUTS IP, LLC AND ANY OF THEIR PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE

AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE IS SPECIFICALLY INAPPLICABLE TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE.

Initial

*** MARYLAND FRANCHISEES AND/OR OUTLETS LOCATED IN THE STATE OF MARYLAND ARE EXCLUDED FROM SIGNING THIS STATEMENT.**

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

PRINCIPALS:

Name: _____
Date: _____

Name: _____
Date: _____

EXHIBIT H-2

DEVELOPER ACKNOWLEDGEMENT STATEMENT

Developer hereby acknowledges the following:

Developer has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of developing the Duck Donuts outlets contemplated hereunder. Developer further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Duck Donuts outlets to be developed hereunder has been made to Developer by Franchisor and Developer hereby waives any claim against Franchisor for any business failure Developer may experience as a developer under this Agreement.

Initial

Developer agrees that no claims of success or failure have been made to him or her prior to signing this Agreement and that he/she understands all the terms and conditions of this Agreement. Developer further acknowledges that this Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally; provided, however, nothing in this Multi-Unit Development Agreement or in any related agreement is intended to disclaim the representations made to Developer in Franchisor's Franchise Disclosure Document.

Initial

Developer has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein. Developer acknowledges that no representations or warranties are made or implied, except as specifically set forth herein. Developer represents, as an inducement to Franchisor's entry into this Agreement, that Developer has made no misrepresentations in obtaining this Agreement.

Initial

Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the

potential volume, profits or success of the business venture contemplated by this Agreement.

Initial

Developer acknowledges that he/she has received the Duck Donuts Holdings, LLC Franchise Disclosure Document with a complete copy of this Agreement and all related Exhibits and agreements at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that Developer has read such Franchise Disclosure Document and understands its contents.

Initial

Developer acknowledges that he/she has had ample opportunity to consult with his/her own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Developer with respect to this Agreement or the relationship thereby created.

Initial

Developer, together with Developer's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the development rights granted by this Agreement.

Initial

BY EXECUTING THIS AGREEMENT, DEVELOPER, INDIVIDUALLY AND ON BEHALF OF DEVELOPER'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE DUCK DONUTS HOLDINGS, LLC, DUCK DONUTS IP, LLC, THE DUCK DONUTS INDEMNITEES, AND ALL OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS AND SUCCESSORS AND ASSIGNS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE IS SPECIFICALLY INAPPLICABLE TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY DEVELOPER.

Initial

State Effective Dates

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

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

| State | Effective Date |
|--------------|-------------------|
| California | <i>Pending</i> |
| Illinois | April 23, 2025 |
| Indiana | September 4, 2025 |
| Maryland | April 23, 2025 |
| Michigan | <i>Pending</i> |
| Minnesota | <i>Pending</i> |
| New York | <i>Pending</i> |
| North Dakota | April 23, 2025 |
| Rhode Island | <i>Pending</i> |
| South Dakota | January 30, 2025 |
| Virginia | May 21, 2025 |
| Washington | <i>Pending</i> |
| Wisconsin | April 8, 2025 |

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

EXHIBIT I
RECEIPT

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

If Duck Donuts Holdings, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Duck Donuts Holdings, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

| |
|--|
| Gary Hitterdal 1215 Manor Drive, Suite 302 Mechanicsburg, PA 17055 717-590-5491 |
|--|

Issuance Date: April 8, 2025

I received a Disclosure Document dated April 8, 2025, that included the following Exhibits:

EXHIBIT A: List Of State Franchise Administrators And Agents For Service Of Process
EXHIBIT B: Franchise Agreement
EXHIBIT C: Multi-Unit Development Agreement
EXHIBIT D: Financial Statements
EXHIBIT E: Operations Manual Table of Contents
EXHIBIT F: Franchised Outlets
EXHIBIT G: State Addenda
EXHIBIT H: Franchisee Acknowledgement Statement
State Effective Dates
EXHIBIT I: Receipts

Date Received: _____
(If other than date signed)

Date: _____

(Signature of recipient)

Print Name: _____

Print Address: _____

KEEP FOR YOUR RECORDS

RECEIPT

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State Effective Dates
EXHIBIT I: Receipts

Date Received: _____
(If other than date signed)

Date: _____

(Signature of recipient)

Print Name: _____

Print Address: _____

Please return signed receipt to:
Duck Donuts Holdings, LLC
1215 Manor Drive, Suite 302
Mechanicsburg, PA 17055