FRANCHISE DISCLOSURE DOCUMENT

MAGNOLIA BAKERY INTERNATIONAL, LLC
A Delaware Limited Liability Company
244 West 54th Street, Suite 501
New York, NY 10019
212.265.2777
www.magnoliabakery.com
franchising@magnoliabakery.com

We offer franchises for retail stores specializing in classic American desserts, coffee, tea and other beverages and related retail merchandise items and operating under the Magnolia Bakery trademarks and operating system (each a "Magnolia Bakery" or "Bakery").

The total investment necessary to begin operation of a Magnolia Bakery Flagship (Full-Bake) Store is $696,000 to $1,198,270. This amount includes $49,000 that is payable to the franchisor. The total investment necessary to begin operation of a Magnolia Bakery No-Bake Store is $499,700 to $702,030. This amount includes $39,000 to $49,000 that is payable to the franchisor. The total investment necessary to begin operation under an Area Development Agreement for three to five Magnolia Bakeries is $735,000 to $1,276,270 including the total investment for your first Bakery. This amount includes $88,000 to $127,000 that must be paid to us.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this disclosure 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 Jason Mattes, Vice President of Domestic Franchise Development and Sales at 244 West 54th Street, Suite 501, New York, NY 10019 and 212.265.2777.

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

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

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

The issuance date of this Franchise Disclosure Document is April 24, 2026.

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 E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Magnolia Bakery 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 Magnolia Bakery 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 G.

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

Out-of-State Dispute Resolution. The Franchise Agreement requires you to resolve disputes with the franchisor by litigation only in New York. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.

Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This disclosure document describes Magnolia Bakery franchises. In this disclosure document, "we," "us," "our" and "Franchisor" mean Magnolia Bakery International, LLC, the franchisor, and "you" or "your" means the purchaser of the franchise. If the purchaser of the franchise is a corporation, partnership, or limited liability company, "you" means both the purchaser and the persons who own the business entity.

The Franchisor

Magnolia Bakery International, LLC is a Delaware limited liability company formed on January 25, 2011. Our principal business address is 244 West 54th Street, Suite 501, New York NY, 10019. We do business under our entity name and Magnolia Bakery. Our agents for service of process are listed in Exhibit G. We began offering franchises for Magnolia Bakeries in July 2011. We have never offered franchises in any other line of business. As of December 28, 2025, there was one franchised Magnolia Bakery and our affiliates operated 10 Magnolia Bakeries in the United States, which we refer to as our "Affiliate-owned Bakeries". Our franchisees also operated 39 franchised Magnolia Bakeries in India, Kuwait, Philippines, Qatar, Turkey, United Arab Emirates, and Jordan.

Our Parent, Affiliates and Predecessors

Our parent, Magnolia Group Holdings, Inc., is a Delaware corporation formed on March 2, 2020 ("Holdings"). Holdings shares our principal business address.

Our affiliate, Magnolia Intellectual Property LLC, is a Delaware limited liability company formed on February 11, 2011 ("Magnolia IP"). Magnolia IP shares our principal business address. Magnolia IP is the owner of the mark MAGNOLIA BAKERY® and other marks and intellectual property we use in connection with Magnolia Bakeries. Magnolia IP licenses to us the right to use the marks and intellectual property and to further sublicense them to our franchisees for use in connection with Magnolia Bakeries. Magnolia IP has never conducted a business of the type to be operated by you or engaged in any other business, and has never offered franchises in any other line of business.

Our affiliate, Magnolia Operating LLC, is a New York limited liability company formed on December 14, 2006 ("Magnolia Operating"). Magnolia Operating shares our principal business address. Magnolia Operating is the holding company of the business entities that operate our Affiliate-owned Bakeries. Magnolia Operating offered and entered into one master license agreement to develop multiple Magnolia Bakeries in the United Arab Emirates in 2009. Magnolia Operating no longer offers franchises for Magnolia Bakeries and has never offered franchises in any other line of business.

We do not have any predecessors. We do not have any other affiliates that offer franchises in any line of business or that offer products or services to our franchisees.

Magnolia Bakeries

Magnolia Bakeries specialize in classic American desserts, including banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares ("Menu Items") and offering coffee, tea, other beverages, and related retail merchandise (whether now existing or developed in the future, including but not limited to consumer packaged goods, T-shirts, cookbooks, sprinkle jars, fabric bags, aprons, and retail mixes for Magnolia Menu Items for consumer use only, collectively, "Merchandise"). Magnolia Bakeries offer their products for take away and delivery. Some Magnolia Bakeries provide limited seating for customers and some Magnolia Bakeries may host on-site events. Magnolia Bakeries offer personalized event planning and catering services for weddings, celebrations, and corporate functions. Magnolia Bakeries operate pursuant to our proprietary operating system ("System") under our confidential operating manual ("Manual") using the "MAGNOLIA BAKERY®" trademark and logo, as well as related trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Marks").

Magnolia Bakeries operate in two formats. A "Flagship (Full-Bake) Store" is a Magnolia Bakery offering an expansive menu of products that are produced on site. A "No-Bake Store" is a smaller Magnolia Bakery offering fewer menu items with products that are produced off site.

Magnolia Bakery Franchises

We grant franchises for the right to establish and operate Magnolia Bakeries at approved locations using the System and the Marks under our Franchise Agreement, which is attached as Exhibit A. You will have the right to sell food, beverage, and merchandise items at retail to the public for carry-out and/or consumption on the premises of your Magnolia Bakery ("Franchised Location"). In addition, you may engage in delivery, catering and/or wholesaling of food and beverage items according to policies established in the Manual ("Off-Premises Programs"). We may also authorize you to develop temporary sales distribution locations, including at "pop-up" events and a "store-within-a-store" (a "Temporary Location"). A Temporary Location must be associated with a Magnolia Bakery and will be considered to be a satellite location of the associated base bakery.

We offer the right to develop Magnolia Bakeries from "Non-Traditional Locations" that include, among other things, college campuses, schools, hotels, casinos, airports and other travel related facilities; government facilities (including military bases); theme and amusement parks; recreational facilities; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; seasonal facilities; ghost or virtual kitchens; theaters; sporting event arenas and captive market centers and non-foodservice businesses of any sort within which a branded facility is established and operated. If you wish to develop and operate a Magnolia Bakery at a Non-Traditional Location, and we approve that request, in addition to signing the Franchise Agreement, you will sign a Non-Traditional Location Addendum to the Franchise Agreement (attached as Exhibit B).

We offer qualified persons and entities the right to develop multiple Magnolia Bakeries within a specified geographic area ("Development Area") according to a mandatory development schedule ("Development Schedule") under our Area Development Agreement ("Development Agreement"). Our current form of Development Agreement appears in Exhibit C to this disclosure document. You must agree to develop at least three Magnolia Bakeries to be awarded a Development Agreement and your first Magnolia Bakery must be a Flagship (Full-Bake) Store. The Development Schedule may also designate by store format the order of the Magnolia Bakeries that you will develop.

If you sign a Development Agreement, you will also sign a Franchise Agreement for your first Magnolia Bakery. Thereafter, after we approve your site, you will sign our then-current form of Franchise Agreement for each Magnolia Bakery that you develop under the Development Agreement. Our then-current form of Franchise Agreement may differ from the version of Franchise Agreement attached to this disclosure document. You or your affiliates must sign Franchise Agreements for, open, and begin operating each Magnolia Bakery on or before the dates listed in the Development Schedule.

We will grant Magnolia Bakery franchises under the Development Agreement only to you or to a corporation, limited liability company or other entity of which you or one or more of your owners owns more than 50% of the total authorized ownership interests, as long as you or such owner(s) have the right to control the entity's management and policies.

Industry-Specific Laws

You must comply with all local, state and federal laws applicable to food service businesses generally, including zoning, licensing, food safety, health, sanitation, smoking, workplace safety, fire, the use of insecticides, the use, storage and disposal of waste (including laws requiring recycling and regulating the use of certain types of containers and other materials potentially harmful to the environment), "Truth in Menu" (concerning menu item names and product labeling), nutritional claims, calorie information, privacy and protection of personally identifiable information, anti-spam and other matters. Various federal and state agencies, including the U.S. Food and Drug Administration and the U.S. Department of Agriculture and state and local health and sanitation agencies, have regulations related to the preparation of food and the

condition of food service facilities. Local zoning rules may limit where you can locate a food service business and may affect design features, including the building facade and signs. The details of state, county and local laws and regulations vary from place to place. You should carefully research these matters before purchasing a franchise.

Market and Competition

The food service market, including the market for bakery products, is well developed and very competitive. You will provide products and services to the general public at the premises of your Magnolia Bakeries and through delivery and catering services. You will compete with other types of food service providers including other local and national bakeries, including those specializing in cupcakes, quick service restaurants, coffee shops, cafes, delicatessens, supermarkets and convenience stores that offer similar food and services.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer: Nathan Louer

Mr. Louer has served as our Chief Executive Officer in New York, New York since December 2025. From April 2023 to November 2025, he served as Chief Brand Officer of Jamba at Go To Foods, LLC (f/k/a Focus Brands, LLC) in Atlanta, Georgia. From January 2020 to April 2023, he served as Vice President, Marketing & Strategy of Jimmy John's at Inspire Brands LLC in Atlanta, Georgia.

Chief Brand Officer and Chief Baking Officer: Barbara Petracca (also known as Bobbie Lloyd)

Ms. Petracca has served as our Chief Brand Officer since December 2025. She has served as our Chief Baking Officer since May 2021 and previously served as our Chief Executive Officer and of our affiliates Magnolia Operating, Magnolia IP, and Magnolia Trading, LLC ("Magnolia Trading") from May 2021 through December 2025. From January 2021 to May 2021, she served as our President and Chief Operating Officer and from March 2020 to January 2021, she served as our Interim Chief Executive Officer and our President. From August 2014 to March 2020, Ms. Petracca served as our Executive Vice President of Brand Development and of our affiliates Magnolia Operating, Magnolia IP, and Magnolia Trading. From August 2013 to August 2014, she served as our Executive Vice President of Operations and of our affiliates Magnolia Operating, Magnolia IP and Magnolia Trading. She served as our President and of our affiliates Magnolia IP and Magnolia Trading from our and their respective formation in February 2011 and January 2011 through July 2013 and served as President of our affiliate Magnolia Operating from its formation in December 2006 through July 2013. All roles were based in New York, New York.

Executive Chairman and Chief Investment Officer: Uday Ahuja

Mr. Ahuja has served as the Executive Chairman of our Board of Directors and as our Chief Investment Officer since March 2026. He served as a member of our Board of Directors from January 2021 to February 2026. He served as Chief Investment Officer for RSE Ventures from October 2024 to February 2026. He served in multiple roles for RSE Ventures from June 2015 to October 2024 including as Managing Director and Director of Business Development. All roles were based in New York, New York.

Chief Commercial Officer: Edward Revis

Mr. Revis has served as our Chief Commercial Officer since April 2021. From March 2017 to March 2021, he served in various roles with Chobani Inc. including as VP of Brand, Marketing & Media and Senior Director, Marketing & Media. All roles were based in New York, New York.

Chief Operating Officer: Dominic Alessandrini

Mr. Alessandrini has served as our Chief Operating Officer in New York, New York since October 2024. From September 2017 to October 2024, he served as Director of Culinary Development and Operations of Starbucks Coffee Company in Seattle, Washington.

Vice President of Domestic Franchise Development and Sales: Jason Mattes

Mr. Mattes has served as our Vice President of Domestic Franchise Development and Sales in New York, New York since February 2025. From September 2020 to December 2024, he served as Vice President of Franchising for Franchise Group, Inc. in Delaware, Ohio. From January 2013 to July 2019, Mr. Mattes served as Chief Development Officer of Retro Fitness in Colts Neck, New Jersey.

Vice President of Operation Services: Douglas Vaughan

Mr. Vaughan has served as Magnolia Operating's Vice President of Operation Services since April 2025. He served as Magnolia Operating's Vice President of Training and Development from September 2020 to April 2025. He served as Magnolia Operating's Director of Training from September 2016 to September 2020. All roles were based in New York, New York.

Vice President of Supply Chain: Andrea Golcher Stone

Ms. Golcher Stone has served as our Vice President of Supply Chain since March 2026. From January 2022 to July 2022 she served as a Consultant for Armatura Company. From January 2019 to January 2022, she served as Director, Supply Chain Strategy for Momomilk LLC dba Milk Bar . All roles were based in New York, New York.

Head of Brand and Community: Sara Gramling

Ms. Gramling has served as our Head of Brand and Community since April 2025. She served as our Vice President, PR + Partnerships from May 2011 to April 2025. All roles were based in New York, New York.

Domestic Franchise Sales Manager: Katherine Nolan

Ms. Nolan has served as our Domestic Franchise Sales Manager in New York, New York since December 2025. From July 2025 to November 2025, she served as Franchise Sales Manager for Matco Tools Corporation in Stow, Ohio. From January 2024 to June 2025, she served as Franchise Sales Manager for Jersey Mike's Franchise Systems, Inc. in Manasquan, New Jersey. From April 2022 to December 2023, she served as Director of Franchise Marketing for Playa Bowls, LLC in Belmar, New Jersey. From April 2016 to April 2022, she served as Marketing Coordinator for Jersey Mike's Franchise Systems, Inc. in Manasquan, New Jersey.

Franchise Administration Manager: Dina Veenhuis

Ms. Veenhuis has served as our Franchise Administration Manager in New York, New York since July 2025. From February 2025 to May 2025, she served as Franchise Administration for Shipley Franchise Company LLC in Houston, Texas. From September 2023 to January 2025, she served as Franchise Administration Coordinator for Small Sliders Franchising LLC in Atlanta, Georgia. From July 2023 to September 2023, she served as Senior Sales & Marketing Consultant for Prime Consulting Firm, LLC in Kennesaw, Georgia. From March 2021 to January 2023, she served as Business Development Manager for Uni-Structures, Inc. in Kennesaw, Georgia.

ITEM 3
LITIGATION

Concluded Matter

Eaternity s.a.l. (Off-Shore) v. Magnolia Bakery International LLC (International Chamber of Commerce, New York, New York, Case No. UNC 163/ZF, filed January 20, 2017). Eaternity s.a.l. (Off-Shore) ("Eaternity"), an operations manager and area representative that we appointed for the territory of the Middle East and North Africa, filed this arbitration action against us alleging that we breached our area representative agreement with Eaternity ("Agreement") by unilaterally terminating the Agreement. We had sent Eaternity a Notice of Default and Termination dated August 26, 2016, terminating the agreement based on Eaternity's default in failing, by a date certain, to deliver in complete form a proposed development schedule, or agree on a development schedule, as required under the Agreement. Eaternity alleged we had waived our right to terminate the Agreement and are estopped from asserting our right to terminate. Eaternity also claimed we were in default under a separate payment obligation arising under the Agreement in the amount of $109,000. Eaternity claimed total damages in excess of $3,000,000, plus the costs of the arbitration (which would include compensation of the arbitrator, attorneys' fees, and interest). We answered Eaternity's statement of claim on February 21, 2017. Among other things, we asserted our absolute right to terminate the Agreement unless or until the parties agreed on a development schedule, which they never did. An initial mediation session was held on June 6, 2017. To avoid lengthy arbitration hearings, the parties subsequently agreed to settle the dispute on the basis that nothing in the settlement agreement of the parties, or otherwise, would be construed as an acknowledgment of a breach, liability, or wrongdoing on the part of the other. Pursuant to settlement agreement, made as of December 20, 2017, we agreed to pay to Eaternity over a period of 48 months an aggregate sum of $349,000 dollars. Eaternity has acknowledged the settlement expressly encompassed the $109,000 sum Eaternity claimed we owed to it separate and apart from Eaternity's claim regarding our termination of the Agreement.

Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee in the amount of $49,000 ("Initial Franchise Fee") for your Bakery to use the System and the Marks during the term of the Franchise Agreement.

The Initial Franchise Fee for the first Bakery that you develop under a Development Agreement, which will be a Flagship (Full-Bake) Store, is $49,000. We offer a reduced Initial Franchise Fee in the amount of $39,000 for additional Bakeries, including No-Bake Stores, that you develop after your first Bakery under a Development Agreement.

The Initial Franchise Fee is fully earned when paid, is due in one lump sum, and is not refundable.

Development Fee

If you sign a Development Agreement to develop multiple Bakeries, you must pay us a development fee for each Bakery you agree to develop in the amount of $19,500 ("Development Fee"). We will insert the amount of the Development Fee in the Development Agreement before signing it. You must agree to

develop at least three Bakeries under a Development Agreement. The Development Fee is non-refundable and is due in one lump sum.

You will sign the Franchise Agreement for your first Bakery simultaneously with the Development Agreement. We will apply a $19,500 credit for the Development Fee that you pay for each Bakery against the Initial Franchise Fee that you owe under each Franchise Agreement. The table below shows the Initial Franchise Fees and Development Fees that would be due if you sign a Development Agreement to develop three Bakeries.

Bakery No.	Development Fees	Initial Franchise Fee Due for each Bakery	Balance of Initial Franchise Fee to be Paid When You Sign The Franchise Agreement After Applying Development Fee Credit
1	$19,500	$49,000	$29,500
2	$19,500	$39,000	$19,500
3	$19,500	$39,000	$19,500
Fees due when you sign the Development Agreement and Current Franchise Agreement for First Bakery	$58,500 (Development Fees) + $29,500 (Balance of Initial Franchise Fee for First Bakery) = $88,000		

Extension Fee

We may grant you, in our reasonable business judgment, extensions on the contractual deadlines relating to the opening of your Bakery. If you want to request an extension of the applicable deadline, you must do so at least 30 calendar days before the deadline date. If we grant an extension on any deadline, you must pay us $3,000 for each one-month extension. We will consider your extension request based on a variety of factors, including the diligence you have shown in developing the location. Any extension fee paid by you is fully earned by us and non-refundable when paid. We assume for purposes of this Item 5 (and for the minimum investment amount in Item 7 below) that you will not require any extensions on the opening timeline for your Bakery.

* * * * *

The fees and expenses we describe in this Item 5 are not refundable. These fees are typically uniform for all new franchisees in the system; however, in certain circumstances, we may reduce or waive a fee.

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ITEM 6
OTHER FEES

Type of Fee1	Amount	Date Due	Remarks
Royalty	6% of Gross Revenues	Weekly	See Note 2 for the definition of "Gross Revenues"; see Note 3 for an explanation of our electronic funds transfer process.
Marketing Fund Contribution	Currently, 3% of Gross Revenues	Weekly	We can increase your Marketing Fund Contribution to a maximum of 4% of Gross Revenues on 90 days advance notice.
Local Marketing Expenditures	1% of Gross Revenues	Ongoing	You must report your local marketing expenditures to us on a quarterly basis. If you don't spend the required amount on an annual basis, then you must contribute any deficiency in the amount owed to the Marketing Fund.
Cooperative Contributions	Currently not assessed	Weekly	We have the right to establish cooperative marketing programs ("Cooperatives") in your region. You can reduce your local marketing obligation by the amount that you contribute to a Cooperative. Our franchised and Affiliate-owned Bakeries will have one vote in the Cooperative for each Bakery they operate.
Collection Costs and Expenses	Our actual costs and expenses	Upon demand	You must pay our collection costs and expenses, which include collection agency fees, costs incurred in creating reports demonstrating Gross Revenue, attorney's fees, and related expenses we incur in enforcing the terms of the Franchise Agreement and Development Agreement.
Annual Franchise Conference Registration Fees	Up to $1,500 per person	As incurred	Your Managing Owner, Operations Leader, Bakery Production Manager and Trainers may be required to attend an annual franchise conference and pay a registration fee.
Customer Complaints	Our actual costs and expenses	Upon demand	Payable if we resolve customer complaints at your Bakery.
Enforcement Expenses	Our actual costs and expenses	Upon demand	Payable if we obtain injunctive or other relief for the enforcement of any term of the Franchise Agreement.

Type of Fee1	Amount	Date Due	Remarks
Indemnification	Our actual costs and expenses	As incurred	You must reimburse us if we incur any expense, including attorneys' fees and other costs, or are held liable for claims arising out of the operation of your Bakery.
Insufficient Funds Fee	$50 and any bank charges incurred (or the maximum amount permitted under applicable law)	With payment of overdue amount	Payable if you deliver a payment which does not clear your bank account or where we are not able to complete an electronic funds transfer due to insufficient funds.
Interest	1.5% per month or the maximum rate permitted by applicable law, whichever is less.	With payment of overdue amount	We calculate interest from the date the payment was due until paid in full.
Quality Assurance Programs	Our out of pocket costs (typically $1,000 - $1,500)	As incurred	You must pay costs that we incur to third parties to carry out quality assurance programs at your Bakery if you don't pay third parties directly for their services.
Reimbursement for Examination or Audit	Actual cost of audit, including travel, lodging, wages and reasonable accounting and legal costs	Upon demand	Payable only if an examination or audit reveals an understatement of the Gross Revenues of the Bakery by you of 2% or more. This is in addition to applicable interest and late fees.
Reimbursement of our Expenses	Amount we pay on your behalf	Upon demand	Payable only if we pay, or become obligated to pay, monies on your behalf by consent or otherwise under the Franchise Agreement including amounts we pay to obtain insurance for the Bakery on your behalf if you fail to maintain the required insurance policies.
Relocation Fee	$10,000	Upon demand	Payable if you make a request and we approve the relocation of your Bakery.
Renewal Fee	50% of our then-current Initial Franchise Fee	Upon execution of a renewal franchise agreement	If you choose to and are approved to continue operating the Bakery for a renewal term you must sign our then-current form of renewal franchise agreement.
Securities Offering	$10,000 or such greater amount as is necessary to reimburse us and our outside advisors for our expenses	With submission of offering materials for our review	Payable if you intend to offer securities to investors. This is in addition to the regular transfer fee. You also must reimburse us on an annual basis for our costs associated with providing information for your annual reports.

Type of Fee1	Amount	Date Due	Remarks
Supplier Evaluation	Our actual costs, which will typically range between $1,000 to $1,500 although costs could be less than or exceed these amounts depending on the product and the supplier	Upon demand	Payable whether or not we approve the supplier. Please see item 8 for additional details.
Reimbursement of Taxes paid by us	Amount imposed on us	Upon demand	You must reimburse us for any taxes, fees or assessments imposed on us for acting as a franchisor or licensing the Marks to you (not including our income taxes).
Technology Development Fee	$150	Weekly	Payable for access to, and in consideration of our development and delivery of software programs and other technology.
Training Fees for Additional Training Programs	We do not currently charge any training fees for additional training programs although we may do so if we introduce such programs in the future.	Upon demand	Payable if we require you to attend any additional training programs that we add in the future.
Training Fees for Additional On-Site Opening Assistance and Additional On-Site Training	$500 per representative per day and travel living and other expenses incurred by our representative	Upon demand	If we send a representative to your Bakery to provide additional on-site opening assistance or additional on-site training for your staff. We may increase our per diem fee as our internal costs and personnel salaries increase over the term of your Franchise Agreement.
Training Fees for Replacement Personnel	$500 per person per day	Upon demand	Payable if you need to send any replacement personnel to our training program.
Transfer Fee	$25,000	Upon demand	Payable if you propose to sell or transfer your Bakery (or a partial ownership interest). If you sign your Franchise Agreement as an individual or a group of individuals, you must transfer the agreement to an entity prior to signing the lease for your Bakery and you will not pay a transfer fee; if you complete the transfer after lease signing, you will pay a reduced transfer fee of $2,000.

NOTES TO CHART:

(1) Unless otherwise noted, all of the fees or charges described in this Item derive from the Franchise Agreement. Unless otherwise noted, all fees are non-refundable and payable to us.

(2) "Gross Revenues" means the aggregate amount of all revenues generated from the sale of all products and services sold and all other income of every kind related to the Bakery, whether for cash or credit (and regardless of collection in the case of credit), whether from sales at the Franchised Location, by delivery, from catering, or at wholesale (whether the sales method is permitted or not).

(3) You may not reduce Gross Revenues by the amount of any discounts provided to employees, family members and other businesses that you control. Gross Revenues do not include sales taxes or other taxes collected from customers for transmittal to the appropriate taxing authority, proceeds from the sale of gift cards or stored value cards, and customer refunds made in good faith. Because Magnolia Bakery is positioned as a premium brand, we do not permit promotional discounts or coupons, and no reduction from the full retail price will be allowed in computing Gross Revenues for the amount of promotional discounts given (including items given away for free) or redemption of promotional coupons except as may be expressly permitted in the future by us in the Manual or otherwise. Gross Revenues will not include the retail price of a reasonable amount of Menu Items given away for free to employees or charities or distributed as samples to promote the sale of Menu Items, provided you comply with our policies and procedures, including reporting requirements, as specified in the Manual or otherwise.

(4) We reserve the right to modify our policies consistent with food service business industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from "Gross Revenues" as circumstances, business practices, and technology change.

(5) You must follow our procedures and formats specified in the Manual or otherwise for honoring, reporting and paying the Royalty Fee on the sale and redemption of gift cards and any proprietary stored value cards; for example Gross Revenues may exclude the revenue from selling or issuing gift cards but include sales from selling products and services to customers using gift cards and proprietary stored value cards.

(6) If you operate the Bakery at a Non-Traditional Location, Gross Revenues do not include revenues from any other businesses that you operate at the larger building in which the Franchised Location is located (other than the Bakery).

(7) You must designate an account at a commercial bank of your choice ("Account") for the payment of amounts due to us and/or our affiliates, including but not limited to weekly Royalty Fees, Marketing Fund Contributions, and Technology Development Fees. You must furnish us and the bank with authorizations as necessary to permit us to make withdrawals from the Account by electronic funds transfer. Every Wednesday (or at another date specified by us from time to time), we will transfer from the Account an amount equal to the Royalty Fees, Marketing Fund Contributions, and Technology Development Fees due from you based on the Gross Revenues of the Bakery for the preceding week, as well as any other fees due to us and/or our affiliates. We will obtain payment by electronic debit to your Account each week.

ITEM 7
ESTIMATED INITIAL INVESTMENT

TABLE 1
YOUR ESTIMATED INITIAL INVESTMENT
FRANCHISE AGREEMENT – FLAGSHIP (FULL-BAKE) STORE

Type of Expenditure	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee[2]	$49,000	$49,000	Lump sum	When you sign the Franchise Agreement	Us
Travel and Living Expenses While at Initial Training[3]	$16,000	$25,000	As agreed	During training	Hotels, restaurants and transportation service providers
Security Deposit[4]	$7,500	$20,800	As agreed	As incurred	Landlord
Pre-Opening Rent (3 Months)[4]	$22,500	$62,500	As agreed	As incurred	Landlord
Construction and Improvements[5]	$180,000	$450,000	As agreed	Before business opens or as agreed	Suppliers
Furniture, Fixtures & Equipment[6]	$252,000	$305,000	As agreed	As incurred	Suppliers
Signs[7]	$29,000	$34,000	As agreed	As incurred	Suppliers
POS System[8]	$7,500	$10,500	As agreed	As incurred	Suppliers
Opening Inventory[9]	$10,000	$15,000	As agreed	As incurred	Suppliers
Utility Deposits and Fees[12]	$2,500	$4,000	Lump sum	Upon application	Utility providers
Business Licenses[13]	$5,000	$5,000	Lump sum	Upon application	Licensing authorities
Professional Fees[14]	$35,000	$77,470	As agreed	As incurred	Professionals (architect, attorney, accountant, etc.)
Insurance[15]	$7,500	$10,000	As agreed	As incurred	Insurance company or broker
Grand Opening Marketing[16]	$20,000	$20,000	As incurred	As incurred	Marketing suppliers
Additional funds (3 months)[17]	$52,500	$110,000	As incurred	As incurred	Employees, suppliers, and third parties
Total	**$696,000**	**$1,198,270**			

TABLE 2
YOUR ESTIMATED INITIAL INVESTMENT
FRANCHISE AGREEMENT – NO-BAKE STORE

Type of Expenditure	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee[2]	$39,000	$49,000	Lump sum	When you sign the Franchise Agreement	Us
Security Deposit[4]	$7,500	$9,000	As agreed	As incurred	Landlord
Pre-Opening Rent (3 Months)[4]	$11,200	$25,000	As agreed	As incurred	Landlord
Construction and Improvements[5]	$180,000	$210,000	As agreed	Before business opens or as agreed	Suppliers
Furniture, Fixtures & Equipment[6]	$122,500	$170,000	As agreed	As incurred	Suppliers
Signs[7]	$10,000	$15,000	As agreed	As incurred	Suppliers
POS System[9]	$7,500	$10,500	As agreed	As incurred	Suppliers
Opening Inventory[9]	$9,000	$13,000	As agreed	As incurred	Suppliers
Vehicles(s)[10]	$30,000	$65,000	As agreed	As incurred	Suppliers
Signage – Vehicle(s)[11]	$0	$2,000	As agreed	As incurred	Suppliers
Business Licenses[13]	$5,000	$5,000	Lump sum	Upon application	Licensing authorities
Professional Fees[14]	$33,000	$52,030	As agreed	As incurred	Professionals (architect, attorney, accountant, etc.)
Insurance[15]	$5,000	$6,500	As agreed	As incurred	Insurance company or broker
Grand Opening Marketing[16]	$10,000	$10,000	As incurred	As incurred	Marketing suppliers
Additional funds (3 months)[17]	$30,000	$60,000	As incurred	As incurred	Employees, suppliers, and third parties
Total	**$499,700**	**$702,030**			

NOTES

(1) **Amount and Method of Payment.** Costs paid to us are not refundable, except as specifically described below. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Bakery is located. We do not provide any direct or indirect financing for the Development Fee, Initial Franchise Fee, or other fees and costs paid to us or to third parties. If you meet the credit requirements determined by third-party vendors, you may be able to obtain financing. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of the financial institutions from which you request a loan. We do not determine the terms and conditions of any financing and we do not provide any guarantees for any financing provided to you by third parties.

(2) **Initial Franchise Fee.** The manner in which the Initial Franchise Fee is paid is explained in detail in Item 5. In Table 1, the $49,000 Initial Franchise Fee is for your first Flagship (Full-Bake) Store. In Table 2, the $39,000 Initial Franchisee Fee is for a No-Bake Store that you open after your first Flagship (Full-Bake) Store opens under a Development Agreement and the $49,000 Initial Franchise Fee is for a No-Bake Store that you open without a Development Agreement.

(3) **Travel and Living Expenses While at Initial Training**. This is the estimated cost of travel and living expenses for your Operations Leader and Baking Production Manager you designate to attend their respective initial training programs in New York, New York for your first Flagship (Full-Bake) Store. These figures represent the cost of airfare and/or other transportation, hotel and restaurants while attending our initial training program. The figures do not include salaries for your employees. The figures also do not include the cost of sending your Managing Owner (if he/she does not also serve as your Operations Leader) or any additional owners to the initial training program and do not include the cost of any additional on-site opening assistance that you request. Your actual costs will vary from these estimates based on the location of your training, your point of origin, time, method and class of travel, class of accommodations, and choice of restaurants.

(4) **Security Deposit and Pre-Opening Rent (3 Months).** These estimates reflect three months of pre-opening rent and a security deposit, which typically equals one month's rent. We anticipate that you will lease a site rather than purchase the Franchised Location. In keeping with the positioning of the Magnolia Bakery brand as a premium brand, Magnolia Bakeries will be located in premium retail space downtown and in fashionable neighborhoods in major cities and surrounding suburbs, in major shopping malls and transportation centers and other locations serving large populations or visitors. We estimate that leasing commercial restaurant space will range from $50 to $125 per square foot, though many landlords charge rent in terms of a percentage of Gross Revenues, so this number can vary widely depending on the location and landlord.

(5) **Construction and Improvements.** Your Magnolia Bakery should range in size from approximately 1,200 square feet to 2,000 square feet for a Flagship (Full-Bake) Store and 600 square feet to 800 square feet for a No-Bake Store. The estimate applies to a site which has been obtained in the "vanilla box" stage, which refers to the interior condition of either a new or existing building or suite that has been prepped with heating/cooling delivery systems, lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, plumbing and other utilities to stub, and a concrete slab floor. The estimated costs cover all interior improvements, electrical, flooring, HVAC (heating, ventilation, air conditioning), structural changes, and restrooms. These numbers are not inclusive of architect fees but do recognize other fees typically charged by licensed professionals, (such as project managers, general contractors and licensed tradesman), who are contracted to install electrical, plumbing, and HVAC. In some instances, landlords may provide monetary allowances for materials or work, or rent credits during the time of construction, however such allowances or credits are not reflected in the expense range represented here. Your costs may be less or more than this estimate, depending upon where you are planning to open your Magnolia Bakery or if you receive the premises in any condition other than what is described above

or a non-standard commercial property. We anticipate that you will lease rather than buy your Magnolia Bakery. Therefore, we have not included any costs for land, building construction or related costs in the table. We cannot estimate these costs if you elect to purchase the site since these costs vary widely by geographic area.

(6) **Furnishings, Fixtures & Equipment**. These figures represent the purchase of the furnishings needed for the operation of a Magnolia Bakery, including millwork, seating, décor, other furnishings, and merchandising displays. The range of cost recognizes instances where store configurations differ, and different pieces, sizes or models may be recommended by our staff. The fixtures will vary, depending on the size of the Bakery and the products you offer at the Bakery. The equipment includes ovens, ice machine, sinks, refrigerator, freezer, walk-in box, smallwares, digital menu boards, and the cost of your computer terminal hardware and software. The estimate does not include installation for any equipment.

(7) **Signs**. The range in the table reflects the estimate for one exterior sign. The actual cost of your sign will depend upon the size and location of the Bakery, the particular requirements of the landlord, local and state ordinances and local zoning requirements. All signage must be in compliance with our standards and your local building and other codes.

(8) **POS System**. You must purchase a POS system we specify. See Item 11 for additional information.

(9) **Opening Inventory**. Opening inventory includes all food, paper related items, consumer packaged goods, t-shirts, aprons, sprinkles, other branded products and related retail merchandise associated with opening the Magnolia Bakery, and also ingredients used for training staff prior to opening. The cost will vary widely depending on where the items are sourced and the volume of sales you expect. The upper range of our estimate assumes opening ingredient inventory will last approximately three weeks and inventories of non-food merchandise will last longer. Additional inventory expenses are included in the Additional Funds estimate below. Suppliers may also require prepayment or may require that you pay cash on delivery (C.O.D.).

(10) **Vehicle(s)**. We recommend but do not require that you purchase or lease at least one step van to make deliveries and perform your catering services especially if you operate more than one Magnolia Bakery. We recommend that you purchase instead of lease because of the high mileage you will place on the vehicle. We estimate the cost of a new vehicle is $30,000 to $65,000, however, the cost could be higher depending on the make and model and options you request.

(11) **Signage – Vehicle(s).** This is the estimated cost of signage required for your vehicles, not including shipping and any sales or other taxes.

(12) **Utility Deposits and Fees.** We estimate you will incur deposit expenses to obtain utility service, which includes deposits to initiate telephone, gas, electricity, water and other services, which will vary due to municipality requirements, local provider requirements and your creditworthiness. These deposits are generally refundable depending on the provider's policies. This estimate specifically excludes any security deposit under any lease for your Bakery.

(13) **Business Licenses.** This estimate represents the cost for obtaining the business licenses, permits, registrations, and certificates legally required to operate your Bakery. You will need to check with your advisors as license and permit requirements (and fees) will vary by locality.

(14) **Professional Fees.** These estimated fees are primarily for the services rendered by your architect to provide you plans for your Bakery, your lawyer, accountant and other professional business advisors. In most jurisdictions, you are responsible for engaging the services of a qualified, licensed architect to produce a test fit, schematic design, design development, construction documents and permit-ready drawings for your Bakery. Prior to submitting the drawings to the local municipality

for review and approval, we must review them to assess their conformity to our requirements and could potentially return them to your architect for additional modifications. Any modifications may incur further services by your architect, and these services may likely incur higher fees. Your exact costs will depend on the architect you select and/or if an engineer is necessary. You are responsible for ensuring that the plans meet all state and local requirements including the Americans with Disabilities Act. The figures include the cost of having the Disclosure Document, Franchise Agreement, Development Agreement, business plan any other contract that you will enter into as part of developing and operating the Bakery reviewed by a qualified attorney, accountant and/or other professional advisors.

(15) **Insurance**. This figure represents the estimated insurance premium for the first year of operations for the minimum insurance we require. The available coverage and premiums may differ in your location. You will need to check with your local insurance carrier for the actual premium cost. Cost of coverage will vary based on the area in which the Bakery is located, experience with the insurance carrier, the loss experience of the carrier and other factors beyond our control. Insurance is usually prepaid. You may be able to pay in installments. Unearned premiums are typically refunded if you cancel your policy.

(16) **Grand Opening Marketing.** This estimate covers the costs of the Grand Opening Marketing Plan. See Item 11 for more information.

(17) **Additional Funds – 3 Months.** This is an estimate of the additional working capital you may need to operate your Magnolia Bakery during the first three months of operation and is net of any revenue you receive during this period. This estimate is based upon our affiliates' experience in opening and owning Magnolia Bakeries. The estimate includes items such as wages that you pay your staff, but does not include an owner's salary. The estimate also includes items, such as initial payroll taxes, Royalty Fees, Marketing Fund contributions, Technology Development Fees, professional and accounting fees, additional advertising, insurance, health insurance and workers' compensation, repairs and maintenance, bank charges (including interest), miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, depreciation and amortization, deposits and prepaid expenses (if applicable), rent, and other unforeseen miscellaneous items. This estimate covers inventory of food, beverages, ingredients, disposables, and supplies for the first three months after your Magnolia Bakery opens.

YOUR ESTIMATED INITIAL INVESTMENT
DEVELOPMENT AGREEMENT
(THREE TO FIVE BAKERIES)

Type of Expenditure	Amount Low Estimate	Amount High Estimate	Method of Payment1	When Due	To whom payment is to be made
Development Fee	$58,500	$97,500	Lump sum	Upon signing Development Agreement	Us
Balance of Initial Franchise Fee for first Bakery	$29,500	$29,500	Lump sum	Upon signing Franchise Agreement	Us
Initial Investment for First Bakery Less Initial Franchise Fee	$647,000	$1,149,270	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
Total	**$735,000**	**$1,276,270**			

NOTES

(1) **Development Fee.** These amounts estimate that you will develop three to five Bakeries in the Development Area. Your estimated initial investment under the Development Agreement will vary depending on the number of Bakeries you develop within the Development Area. No part of this initial investment is refundable, although we will apply your Development Fee towards the Initial Franchise Fees owed under the Franchise Agreements that the Development Agreement covers.

(2) **Initial Investment for First Bakery.** You will incur the expenses listed in the first Item 7 chart for your first Bakery reduced by the Development Fee credit in the amount of $19,500, which is applied against the Initial Franchise Fee.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

System Standards

To protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Bakery in strict conformance with our System standards, including the methods, standards, and specifications we prescribe from time to time in the Manual or otherwise in writing. The System standards may relate to any aspect of the appearance, function, cleanliness, and operation of the Bakery. We may change or modify any or all of the components of the System from time to time. You must accept and use or display in the Bakery any such changes or modifications in the System or its components as if they were a part of the System at the time the Franchise Agreement was executed, and you shall make such expenditures as the changes or modifications may reasonably require.

Suppliers

You must offer for sale in the Bakery all Menu Items, Merchandise, products and services that we designate as required items in the Manual or otherwise. You may not offer or sell any unapproved products or services without our prior written consent. Within 30 days after receipt of written notice from us, you must begin selling any newly authorized Menu Items and cease selling any Menu Items that are no longer authorized. We may restrict sales of Menu Items to certain time periods during the day.

You must (1) purchase those food products developed by us pursuant to a special recipe or formula only from us, one of our affiliates, or a third party designated and licensed by us to prepare and sell such products; and (2) purchase from suppliers approved by us all other goods, food and beverage products, ingredients, mixes, materials and supplies used in the preparation of products, as well as advertising materials, furniture, fixtures, equipment, smallwares, packaging, Merchandise or other materials that meet the standards and specifications promulgated by us from time to time. We may establish commissaries and distribution facilities owned and operated by us or our affiliates that we designate as a designated and/or approved supplier. We have the right to require that you use only certain brands and to prohibit you from using other brands. We may from time to time modify the list of approved brands and designated and/or approved suppliers, and you shall not, after receipt of such modification in writing, reorder any brand that is no longer approved or order from any supplier that is no longer approved.

We may designate certain products as proprietary items that we may specify for sale at Magnolia Bakeries that are manufactured in accordance with our secret blends, standards, and specifications, and are proprietary to us and/or our affiliates (“Proprietary Items”). To maintain the high standards of quality, taste, and uniformity associated with any Proprietary Items sold under the System, you agree to buy Proprietary Items only from a designated supplier, and not to offer or sell any items that are similar to (but not the same as) Proprietary Items at or from the Bakery.

If you wish to use any goods or materials (that you are not required to purchase from us, one of our affiliates or a designated supplier) that we have not yet evaluated or if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit to us a written request for approval. You cannot purchase or lease any such item unless we have approved the supplier in writing. We are not required to approve any particular supplier. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to send our representatives to inspect the supplier's facilities and to have samples from the supplier be delivered to us or to an independent laboratory designated by us for testing. We do not charge a separate supplier evaluation fee; however, you or the proposed supplier may be required to pay for the actual cost of the inspection and of the test (including our administrative expenses and travel expenses). It will typically take two to four months to evaluate your request. We may condition our approval of a supplier based on the following criteria, which we make available to our franchisees: product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints). We reserve the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke our approval of the supplier if the supplier fails to continue to meet any of our criteria. If we revoke our approval of any supplier, you agree to promptly discontinue use of that supplier.

There currently are no purchasing or distribution cooperatives for the System. We and our affiliates negotiate purchase arrangements with suppliers (including price terms) for the benefit of our franchisees and our affiliates for the items and services that you may obtain only from approved suppliers. In doing so, we and our affiliates seek to promote the overall interests of the System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Neither we nor our affiliates currently supply any products to our franchisees although we may do so in the future.

Officers of our company do not own an interest in any third-party suppliers to our franchisees; however, certain officers of our company own an interest in us and our affiliates.

We or our affiliates may enter into agreements with one or more rebate aggregators or suppliers pursuant to which rebates or other financial incentives are paid to us based on purchases made by Affiliate-owned and franchised Magnolia Bakeries. These rebates are generally based on the volume of products purchased and may vary by product category, including paper, food, and chemicals. Currently, we receive rebates within a range of approximately 2% to 6% of aggregate purchases, net of applicable credits; however, these arrangements and rebate amounts are subject to change from time to time. We currently retain these rebates and do not pass them through to franchisees.

If you purchase a franchise to operate a Magnolia Bakery, we estimate that source-restricted purchases will equal approximately 85% to 95% of your total purchases in connection with the establishment of your Bakery and approximately 70% to 90% of your total purchases in connection with the ongoing operation of your Bakery.

Lease

If you lease the premises for your Bakery, you must submit the proposed lease to us for approval before you sign it and you must use our form of Lease Addendum attached as Exhibit E to the Franchise Agreement. See Item 11 under the heading "Site Selection" for additional details.

Furnishings, Fixtures and Equipment

We have identified a specific recommended brand and model for many of the furnishings, fixtures and equipment items required to equip a Magnolia Bakery. You must purchase these items only from

approved suppliers. We may negotiate with vendors for the price, warrantees, guarantees, delivery costs, maintenance contracts, etc. The type and number of pieces of furnishings, fixtures and equipment you require will be based on the size of your Bakery.

Point-of-Sale System and Other Computer System Requirements

You must purchase, install, and use the point of sale (POS) system, inventory management system, financial reporting system, back office computer, and other computer equipment, communications devices, audio/visual equipment and software systems that we specify as they evolve over time. You currently must purchase or lease a Toast POS system together with credit card software, marketing module, gift/loyalty card software, and inventory and polling software for use with your POS system. This system is available from Toast, Inc. You also must use our approved advance ordering system for mobile, on-line ordering.

Electronic Money Programs and Loyalty Programs

You must participate in programs we establish relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs. Participation includes both issuing program benefits or credits and accepting them for payment by customers and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Magnolia Bakeries based on customer purchases and redemption of stored value. You must also participate in any "frequent guest" or customer loyalty programs we prescribe. You may not offer your own gift card, electronic money, or loyalty program for your Bakery without our prior approval.

E-Commerce Programs

In order to address customer desires and expectations, you will participate in and abide by, at your cost, any e-commerce program for advance orders we designate for the Magnolia Bakeries, including to serve as a retail support center or in another capacity for our e-commerce distribution activities. We and our affiliates and the designated vendor may require that you adopt and/or sign and abide by any and all agreements governing your participation in the e-commerce program and acquire any associated equipment and software and pay associated transaction charges and service fees as may be requested or required to enable you to participate in the program.

Insurance

You must maintain in full force and effect that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your Bakery, which shall include, at a minimum, insurance policies of the kinds, and in the amounts required by us. We, and any entity with an insurable interest designated by us, shall be an additional insured in all liability policies (except workers compensation) to the extent each has an insurable interest. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. You will receive written notice of such modifications and must take prompt action to secure the additional coverage or higher policy limits. Each insurance policy shall be written by an insurance company that has received and maintains an "A-VII" or better rating by the latest edition of Best's Insurance Rating Service. No later than 15 days prior to the commencement of construction and 15 days prior to the opening of the Bakery, and on each policy renewal date thereafter, you must submit to us a certificate of insurance, or other evidence of satisfactory insurance and proof of payment therefor.

Currently we require the following insurance: (1) such insurance as may be required by any lease or occupancy agreement covering the Franchised Location, including but not limited to course of construction insurance; (2) all-risk commercial property insurance on your owned equipment and leased equipment in amounts sufficient to prevent you from becoming coinsurer within the terms of the policies in question, and in any event in amounts not less than 80% of the then insurable value thereof or $1,000,000, whichever is greater; (3) workers' compensation for your employees through workers compensation

insurance or as a qualified self-insurer of workers' compensation; (4) comprehensive general liability insurance, including products liability, premises liability, and personal injury insurance at a minimum limit of liability of $2,000,000 per occurrence and $4,000,000 general aggregate (which extended coverage may be obtained in the form of an umbrella policy); (5) Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least $500,000 combined single limit, and $1,000,000 general aggregate limit; and (6) such other insurance as may be required by law.

We have the right to increase the amounts of coverage required and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances.

All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement (FA) Non-Traditional Location Addendum (NLA) and Development Agreement (DA)	Disclosure Document Item
a. Site selection and acquisition/lease	FA: 2.2 – 2.4 NLA: Not Applicable DA: 3.2	5, 7, 8, 11 and 12
b. Pre-opening purchases/ leases	FA: 2.7, 3.2 and 9 NLA: Not Applicable DA: Not Applicable	5, 7, 8 and 12
c. Site development and other pre-opening requirements	FA: 2 NLA: 2 DA: 3	5, 6, 7, 8, 11 and 12
d. Initial and ongoing training	FA: 5 NLA: Not Applicable DA: Not Applicable	6, 7 and 11
e. Opening	FA: 3 NLA: Not Applicable DA: Not Applicable	11
f. Fees	FA: 2.2.C, 3.3, 4, 5.3, 5.4.D, 5.5, 7.6, 7.20.B, 8.3, 8.6, 8.8.B, 10.3, 10.4, 14.4.I, 14.4.J, 14.6, 14.7, 15.3,17.3, 23.4 NLA: Not Applicable DA: 2	5, 6 and 7
g. Compliance with standards and policies/Operating Manual	FA: 6, 7 and 8 NLA: 5 – 7 DA: 3	11 and 14

Obligation	Section in Franchise Agreement (FA) Non-Traditional Location Addendum (NLA) and Development Agreement (DA)	Disclosure Document Item
h. Trademarks and proprietary information	FA: 11 NLA: Not Applicable DA: Not Applicable	13 and 14
i. Restrictions on products/ services offered	FA: 7.3 – 7.7 NLA: Not Applicable DA: Not Applicable	8 and 16
j. Warranty and guest service requirements	FA: 7.13 and 7.17 NLA: Not Applicable DA: Not Applicable	Not Applicable
k. Territorial development and sales quotas	FA: 1.3 NLA: 4 DA: 1.2 - 1.4 and 3.1	1 and 12
l. Ongoing product/service purchases	FA: 7.3 NLA: Not Applicable DA: Not Applicable	6, 7 and 8
m. Maintenance, appearance and remodeling requirements	FA: 7.11 and 7.28 NLA: 5 and 7 DA: Not Applicable	11
n. Insurance	FA: 9 NLA: Not Applicable DA: Not Applicable	7 and 8
o. Advertising	FA: 8 NLA: 8 DA: Not Applicable	6 and 11
p. Indemnification	FA: 18 NLA: 9 DA: 8.2	Not Applicable
q. Owner's participation/ management/staffing	FA: 5, 7.18, 12 and Exhibit B NLA: Not Applicable DA: 4	11 and 15
r. Records and reports	FA: 10 NLA: Not Applicable DA: Not Applicable	6
s. Inspections and audits	FA: 7.11, 7.12 and 10.4 NLA: Not Applicable DA: Not Applicable	6 and 11
t. Transfer	FA: 14 NLA: Not Applicable DA: 6	17
u. Renewal	FA: 15 NLA: Not Applicable DA: Not Applicable	17

Obligation	Section in Franchise Agreement (FA) Non-Traditional Location Addendum (NLA) and Development Agreement (DA)	Disclosure Document Item
v. Post-termination obligations	FA: 17 NLA: Not Applicable DA: 7.5	17
w. Non-competition covenants	FA: 13 NLA: Not Applicable DA: 5.2	17
x. Dispute resolution	FA: 23 NLA: Not Applicable DA: 13	17
y. Other – Personal Guarantee	FA: Exhibit C NLA: Not applicable DA: Exhibit C	15

ITEM 10
FINANCING

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

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

Except as listed below, Magnolia Bakery International, LLC is not required to provide you with any assistance.

Our Obligations Prior to Opening:

Before your Bakery opens, we will:

(1) Provide site selection criteria. (Development Agreement, Section 3.2; Franchise Agreement, Section 2.2.A)

(2) Review sites you propose for your Bakery, as described in more detail below. (Development Agreement, Section 3.2; Franchise Agreement, Section 2.2)

(3) Review the lease for your Bakery. (Franchise Agreement, Section 2.4). We do not generally own the premises and lease them to our franchisees.

(4) Provide one set of our prototypical plans for the construction and layout of a Magnolia Bakery. (Franchise Agreement, Section 2.6.A)

(5) Review your complete set of preliminary and final drawings and specifications and notify you of our approval or rejection within 30 days. (Franchise Agreement, Section 2.6.B)

(6) Provide electronic access to the Manual during the term of the Franchise Agreement. (Franchise Agreement, Section 6) The table of contents for the Manual appears in Exhibit D of this disclosure document. As of the issuance date of this disclosure document, the Manual contains 104 pages.

(7) Provide training materials, a New Franchisee Orientation program for your Managing Owner, and an initial training program for your first Flagship (Full-Bake) Store. See below under "Training." (Franchise Agreement, Section 5)

(8) Provide you with a grand opening marketing plan and approved marketing materials. (Franchise Agreement, Section 8.2)

Continuing Obligations

After your Bakery opens, we will:

(1) Provide on-site opening assistance for your first Flagship (Full-Bake) Store. (Franchise Agreement, Section 5.3)

(2) Provide additional training programs and advise and consult with you regarding the operation of your Bakery. (Franchise Agreement, Section 5.5)

(3) At your request, review any proposed supplier to determine whether the supplier and its products or services meet our standards. (Franchise Agreement, Section 7.4)

(4) Conduct inspections of the Bakery. (Franchise Agreement, Section 7.12)

(5) Collect, administer and spend for advertising purposes monies paid by franchised and Affiliate-owned Bakeries into the Marketing Fund. (Franchise Agreement, Section 8.3)

Site Selection and Construction

The procedure for constructing and opening a Magnolia Bakery is outlined in Section 2 of the Franchise Agreement. You must secure a site and construct your Bakery at your own expense.

Within 90 days after you sign the Franchise Agreement, you must provide a completed site application form prescribed by us, an option contract, letter of intent, or other evidence satisfactory to us which describes your favorable prospects for obtaining the site, photographs of the site, site layout, demographic statistics, market surveys, and other information or materials we may require (collectively, the "Site Application Package") for a suitable site located within the geographic area that you and we designate as your "Site Selection Area". Within 30 days after we receive your detailed Site Application Package, we or our designee will conduct an evaluation of the proposed site(s) and approve or reject your proposed sites. At our option, we may conduct an on-site evaluation of the proposed site(s). We will not unreasonably withhold our approval of a site that meets our site selection criteria. In evaluating your proposed site, we will consider demographic data you provide, as well as other information regarding the characteristics of the site and trade area including visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking. We also may consider the site's proximity both to the Site Selection Area's boundaries and to other existing or potential sites for Magnolia Bakeries located outside the Site Selection Area. (Franchise Agreement, Section 2.2)

The site that we approve will be designated as the "Franchised Location" in Exhibit A to the Franchise Agreement. If we reject your proposed site, we will encourage you to submit alternative site(s). You must obtain our approval of a site and acquire a possessory or leasehold interest in the site for your Bakery within six months after you sign the Franchise Agreement or we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Section 2.1)

If you propose to purchase the site for the Bakery, you must provide us with a copy of the deed or other evidence of ownership within 30 days after we approve the site (the "Site Acquisition Period"). If you propose to lease or sublease the site, you must provide us with a copy of the fully-executed lease or sublease for the site ("Lease") within the Site Acquisition Period. We have the right to review the terms of

the Lease for the Franchised Location before you sign the Lease. The Lease must: (1) in form and substance, be satisfactory to us; (2) include all of the provisions set forth in the form of Addendum to Lease attached as Exhibit E to the Franchise Agreement; (3) be for an aggregate term of (at least) ten years in a combination of initial and renewal terms; (4) contain terms and conditions and payments that are commercially reasonable in our opinion; (5) state that the Franchised Location must only be used for the operation of the Bakery and (6) include any other provisions as we may require from time to time. The Lease shall not contain any covenants or other obligations that would prevent you from performing your obligations under the Franchise Agreement. (Franchise Agreement, Sections 2.3 – 2.4)

After acquiring a possessory interest in the Franchised Location, you shall promptly begin the permitting, licensing and approval process to ensure that construction of the Bakery commences within 30 days after the date the Lease is fully executed or the purchase of the Franchised Location is consummated. We will provide prototypical plans and specifications for a Magnolia Bakery, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, security, furnishings, and color scheme. You must have prepared all required construction plans and specifications to suit the shape, dimensions and utility requirements of the Franchised Location and you must ensure that these plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You may use only registered architects, registered engineers, and professional and licensed contractors. At our option, you must engage our designated or approved architect. (Franchise Agreement, Section 2.6.A)

Prior to submission to local authorities, you must submit proposed construction plans, specifications and drawings for the Bakery ("Plans") to us and you must, upon our request, submit all revised or "as built" Plans during the course of such construction. We will approve or reject the Plans and notify you within 30 days after we receive the Plans. Once we have approved the Plans, no substantial change shall be made to the Plans without our prior approval. You may not begin site preparation or construction prior to receiving written notification from us that we have approved the Plans. You must construct the Bakery in accordance with Plans approved by us and must comply in all respects with applicable laws, ordinances and local rules and regulations. You are responsible for obtaining all zoning and health permits at your own expense. (Franchise Agreement, Section 2.6.B)

Opening

It typically takes six months to secure a site and lease the premises for a Magnolia Bakery from the signing of the Franchise Agreement and an additional seven months to plan and construct the Bakery. The actual time will vary depending on the time you need to obtain the necessary permits and licenses for the construction and operation of the Bakery. You must open the Bakery within 13 months after signing the Franchise Agreement or we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Section 3.1)

POS System and Computer System Requirements

You must acquire and install in your Bakery, at your own expense, the point of sale (POS) system, back office computers, screens and other computer equipment, communications devices, audio/visual equipment, and software systems that we specify in writing from time to time. Our specifications may evolve over time and, in some cases, required items may only be available through us and/or designated suppliers.

You currently must purchase or lease a Toast POS system together with credit card software, gift/loyalty card software, handheld software, and online ordering software to satisfy our requirements. This system is available from Toast, Inc. The current cost of purchasing a Toast POS system and computer equipment is between $4,000 and $7,000 but does not include installation, shipping and any sales tax. We estimate that the cost of the subscription you need for the Toast POS system and annual upgrade costs for your back office computer will be approximately $5,400 to $7,000 per year.

You must transmit data to us at the times we specify and give us independent access to your systems (and provide us with any user names and passwords necessary for that purpose). There are no

contractual limitations on our ability to access the information and data contained in your systems. We and our affiliates have the right to retain the information and to use it internally without restriction.

Your back office computer must have a high-speed interface that permits you to connect to the Internet and to transmit and receive email and access Internet websites. You must obtain the back-office software that we specify, including inventory management, on-line employee scheduling, payroll processing, accounting, payables, customer marketing, field support, tips management, and other management and accounting software. The type and number of computers and other hardware, software, and telecommunications equipment may vary depending on the size of your Bakery. We recommend, but do not require, that you purchase a maintenance agreement for both hardware and software in order to reduce downtime and costs associated with repairs. You must pay all amounts charged by any supplier or licensor of the systems and programs you use, including charges for use, maintenance, support and/or update of these systems or programs. Neither we nor any affiliate or third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer systems. You must promptly update and upgrade your computer hardware and software systems as we require, at your expense. There is no contractual limitation on the cost or frequency of this obligation.

You must honor all credit, charge, courtesy or cash cards or other credit devices that we specify. You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org) or successor organization.

Training

Initial Training Program – First Bakery

We will provide our Initial Training Program to you for your first Flagship (Full-Bake) Store. The Initial Training Program includes the following:

1. Before opening your first Bakery, if your Managing Owner (as defined in Item 15) is not also acting as your Operations Leader, then your Managing Owner must attend our New Franchisee Orientation program, which will be held at our offices in New York, New York over a two day period. Your Managing Owner also must complete online courses prior to arriving in New York. The New Franchisee Orientation program provides information about us and the Magnolia Bakery System and does not cover any training related to the day-to-day operation of a Magnolia Bakery.

2. We will provide a four-week initial training program that your Operations Leader and Bakery Production Manager must attend and successfully complete to our satisfaction at least 60 days before you open your first Bakery. The initial training program may include classroom training, training via an online learning management system (“LMS”) designated by us, and programs offered by third parties. At your option, your Managing Owner or another owner approved by us may attend the initial training program. If your owner is not able to attend the entire initial training program, we will designate one week during the program that the owner should attend. We may increase or reduce the required training based on our assessment of an individual’s prior experience. We will certify any managerial employee of yours who successfully completes the initial training program to our satisfaction as a “Trainer”. (Franchise Agreement, Section 5.2.A) We have the right to require that your trainees execute and deliver to us a Non-disclosure Agreement in substantially the form attached as Exhibit G to the Franchise Agreement. (Franchise Agreement, Section 5.2.B)

If your Operations Leader or Baking Production Manager does not complete the initial training program to our satisfaction, the individual will have to repeat the program or portions of it until we are satisfied, or you will have to replace the individual and that replacement will have to attend and complete our initial training program to our satisfaction. We may charge our then-current per diem training fees as set forth in the Manual (currently $500 per person per day) for missed training sessions, replacement training sessions, and to train any of your replacement personnel. (Franchise Agreement, Section 5.2.C)

TRAINING PROGRAM

Subject	Hours Of Remote Online Learning	Hours Of Classroom Training(1)	Hours Of On-The-Job Training(1)	Location
NEW FRANCHISEE ORIENTATION				
Magnolia Bakery Values, Support System Structure Deep Dive	2	6	0	Online & Home Office New York, NY
Magnolia Bakery Brand Immersion, Culture, and Brand Basics	2	3	3	Online, Home Office New York, NY & Store Tours in New York, NY
FRONT OF HOUSE				
Magnolia Bakery Orientation + Values	1.5	1.5	4	Online, Home Office New York, NY and Training Bakeries in New York, NY
FOH Counter Staff Brand Immersion	1.5	1.5	34	Online, Home Office New York, NY and Training Bakeries in New York, NY
Manager Operation Training	1	8	106	Online, Home Office New York, NY and Training Bakeries in New York, NY
BACK OF HOUSE				
Magnolia Bakery Orientation + Values	2	4	4	Online, Home Office New York, NY and Training Bakeries in New York, NY
BOH Brand Immersion	1	4	7	Online, Home Office New York, NY and Training Bakeries in New York, NY
BOH Training 101	1	10	130	Online, Home Office New York, NY and Training Bakeries in New York, NY
Total Hours	12	38	288	

We will use the Manual and the LMS as the principal instructional material. The experience of our trainers is outlined below:

Trainer	Title	Years of Training Experience with Magnolia Bakery	Years of Training Experience with Other Restaurant Businesses
Doug Vaughan	Vice President of Operation Services	16	5
Taylor Wong	General Manager and Field Training Manager	9	2
Ava-Gaye Taylor	General Manager and Operations Consultant	14	1
Tyler Verbiak	Manager of Culinary Training	1	0

We provide our training programs on an ongoing basis throughout the year. You are responsible for all expenses of your trainees, including the costs of transportation, lodging, meals, and wages and all applicable software licenses for the LMS.

On-Site Opening Assistance

You must have a full staff in place and available for training at least 15 days before the Bakery opens. For your first Bakery, we will send three representatives to the Bakery to assist with the Bakery opening up to two weeks. This opening assistance will also include on-site training for your managers and staff members and additional assistance with opening marketing and management activities. If you request and we agree to provide additional on-site opening assistance, you must pay our then-current per diem training fees as set forth in the Manual plus all travel, living and other expenses incurred by our representatives. (Franchise Agreement, Section 5.3)

Our Travel, Living and Other Expenses. For all on-site training, opening assistance, and additional training and assistance that we provide at the Bakery, you must pay for all travel, living and other expenses incurred by our representatives. (Franchise Agreement, Sections 5.3 – 5.5)

Additional Training Programs

Your Managing Owner, Operations Leader, Bakery Production Manager and Trainers must attend and complete, to our satisfaction, any additional training programs that we reasonably require from time to time. These additional training programs may include classroom training, training via the LMS and programs offered by third parties. We may require you to pay reasonable training fees for these programs (plus travel, living and other expenses for our representatives, if we conduct the training at your Bakery and the travel, living and other expenses of your representatives who attend these programs outside the Bakery).

Your Managing Owner, Operations Leader, Bakery Production Manager and Trainers may be required to attend an annual franchise conference as required from time to time. You are responsible for paying any registration fee for the conference of up to $1,500 per person and the costs of travel, living and other expenses for the conference.

We periodically, as we deem appropriate, will advise and consult with you in connection with the operation of the Bakery. We may provide these services through visits by our representatives to the Bakery or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. We will periodically inspect the Bakery and its operations to assist your operations and ensure compliance with the System.

At your request, we may provide special assistance at the Bakery for which you will be required to pay our per diem training fees and charges that we may establish from time to time plus our travel, living and other expenses for our representatives. (Franchise Agreement, Section 5.5)

Advertising

Grand Opening Marketing

You must spend at least $20,000 to conduct a grand opening marketing plan for the Bakery. We will provide you with a marketing plan and approved marketing materials to utilize. You must keep detailed records of all expenditures. At our request, you must submit appropriate documentation to verify full compliance with your expenditure obligation. While you are conducting your grand opening marketing plan, you also must contribute to the Marketing Fund and make Local Marketing expenditures. (Franchise Agreement, Section 8.2)

Marketing Contributions and Expenditures

You must make contributions to the Marketing Fund, make Local Marketing expenditures and contribute to a Cooperative if a Cooperative has been established in the Designated Market Area ("DMA") in which your Bakery is located. (Franchise Agreement, Section 8)

Marketing Fund

We had not yet established the Marketing Fund as of December 28, 2025 and did not administer the Fund in 2025. We will establish a Marketing Fund for the enhancement, promotion and protection of the System and the Marks when our first franchised Magnolia Bakery opens in the United States for the development of advertising, marketing, and public relations programs and materials as we deem appropriate. You must contribute 3% of the Gross Revenues of the Bakery to the Marketing Fund. We may increase your Marketing Fund Contribution by up to 1% (to a maximum of 4% of Gross Revenues) upon 90 days' notice. Magnolia Bakeries operated by us and our affiliates have no obligation to contribute to the Marketing Fund. We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the Marketing Fund, with final discretion over the strategic direction, creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. (Franchise Agreement, Section 8.3.A)

Among the programs, concepts, and expenditures for which we may utilize the Marketing Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, brochures, logo wear, labeling, video, audio, and written materials and electronic media, and other advertising and promotional materials; (2) media placement and buying, including all associated expenses and fees; (3) administering regional and multi-regional marketing and advertising programs; (4) market research and customer satisfaction surveys, including the use of secret shoppers; (5) the creative development of, and actual production associated with, premium items, giveaways, promotions, sweepstakes, contests, public relation events, and charitable or nonprofit events; (6) creative development of signage, posters, and individual Magnolia Bakery décor items including wall graphics; (7) recognition and awards events and programs including periodic national and regional conventions and meetings; (8) design, establishment, and maintenance of websites, extranets, intranets, search rankings, social media profiles, mobile applications and other digital marketing; (9) retention and payment of personalities engaged as spokespersons, advertising and promotional agencies, endorsement contracts, and other outside advisors including retainer and management fees; (10) sponsorship of sporting, charitable, or similar events; (11) review of locally produced marketing materials; (12) list acquisition and development; and (13) public relations and community involvement activities and programs. (Franchise Agreement, Section 8.3.C)

The Marketing Fund may be used to pay the reasonable salaries and expenses of our and our affiliates' employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the Marketing Fund and professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the Marketing Fund (including accounting fees, legal fees, and interest on monies borrowed by the Marketing Fund). We will not use the Marketing Fund for anything whose sole purpose is the marketing of franchises, however, the System website, public relations activities, community involvement activities and other activities supported by the Marketing Fund may contain information about franchising opportunities. (Franchise Agreement, Section 8.3.D)

We may seek the advice of Magnolia Bakery franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Marketing Fund. However, we retain final authority on all programs financed by the Marketing Fund. We do not currently have an advertising council composed of franchisees.

We will prepare an annual, unaudited statement of Marketing Fund collections and expenses within 90 days after our fiscal year end and will provide a copy of the statement to all franchisees. We retain the final authority on all programs financed by the Marketing Fund. We have the right to change or dissolve

the Marketing Fund at any time. If we disband the Marketing Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to contributors in proportion to their respective Marketing Fund contributions during the preceding 12 month period. (Franchise Agreement, Section 8.3.F)

The Marketing Fund (including any earnings on unspent funds) will be used to maximize general public recognition, acceptance, and patronage of Magnolia Bakeries. We are not obligated to make Marketing Fund expenditures for you which are equivalent or proportional to your contributions, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund. The Marketing Fund is not a trust and we have no fiduciary obligation in collecting payments, maintaining the bank account, bookkeeping, or disbursement of monies from the Marketing Fund. (Franchise Agreement, Section 8.3.E)

Since the Marketing Fund was not formed as of December 28, 2025, we cannot report how the Fund spending was allocated among production, media placement, administrative expenses, and other expenses in our last fiscal year.

Local Marketing

You must develop, on an annual basis, a Marketing Plan that we have approved for your Bakery. You must comply with all requirements regarding the Marketing Plan, including the use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, search engine optimization activities, and compliance with all promotional recommendations. You must spend for advertising and marketing in your market area ("Local Marketing") at least 1% of the Gross Revenues of the Bakery. Within 30 days after the end of each quarter, you agree to send to us, in the manner we prescribe, an accounting of your Local Marketing expenditures during the preceding quarter. If you fail to spend the required amount on an annual basis, then then we may require you to spend on Local Marketing or contribute to the Marketing Fund any amounts that you should have expended to reach the Local Marketing expenditure within 30 days after the close of our fiscal year. We must approve all Local Marketing as described below. We or our affiliates may design and make available to you advertising, marketing, public relations, and charitable giving plans and materials, including templates, signs, stationery, business cards, press releases and other items which we or our affiliate may sell to you at a reasonable price, including a reasonable markup. (Franchise Agreement, Section 8.4)

Cooperatives

As of the date of this disclosure document, we have not established any local or regional advertising cooperatives ("Cooperatives"). If we establish a Cooperative in your area, you must participate in the Cooperative. The following provisions apply to Cooperatives:

- We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your Bakery, you must become a member and begin contributing. You will not have to contribute to more than one Cooperative for the same Bakery at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Bakery owned by us or our affiliates.

- Each Cooperative will adopt a cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. If the members of the Cooperative do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior written consent.

- Each Cooperative will be organized for the exclusive purpose of developing, administering, and executing advertising programs for the members of the Cooperative. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval as described below.

- You and each other member of the Cooperative must contribute weekly to the Cooperative up to 50% of your Local Marketing expenditure (unless a majority of the Cooperative votes to increase the amount), which amount will result in a corresponding reduction in your Local Marketing obligation.

- We may grant any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute (including a reduction, deferral or waiver of the contribution), upon written request stating reasons that we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If we grant an exemption to a franchisee, the franchisee will be required to spend on Local Marketing the amount the franchisee otherwise would have been required to contribute to the Cooperative. (Franchise Agreement, Section 8.5)

Approval Requirement

All of your advertising, marketing, public relations, and charitable giving activities by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. All charitable giving and sponsorships will be for causes and to organizations chosen by you but subject to our prior approval and in accordance with our standards and specifications as provided in the Manual or otherwise, which include rules requiring donations to religious institutions and causes to be non-discriminatory and prohibit donations to political parties, candidates, or political causes. You and your owners and management employees may need to obtain training in certain skills, including public speaking and media interviews. We and our affiliates may offer this training to you for a reasonable fee and reimbursement of our expenses. You or the Cooperative must submit written samples of all proposed advertising and promotional plans and materials to us for our approval at least 30 days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last 12 months. Proposed advertising plans or materials will be deemed to have been rejected if we have not approved them within 30 days after receipt. We reserve the right to require you to discontinue the use of any advertising or marketing material that we previously approved upon notice. (Franchise Agreement, Section 8.6)

Electronic Marketing and Electronic Communications

We will host and maintain an independent webpage for the Bakery at an Internet address that we specify. We will provide and maintain this webpage using a standard template. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any URL, social networking platform, blog, messaging system, email account, user name, text address, mobile application, or other electronic, mobile or Internet presence that uses or displays any of the Marks (or any derivative thereof) or that promotes any products or services of the Bakery. The use of any electronic medium constitutes advertising and promotion subject to our approval as described above. You may not transmit or cause any other party to transmit advertisements or solicitations by broadcast media, telephone, e-mail, text message, instant message, social network, VoIP, streaming media, or other electronic media without first obtaining our written consent as to: (1) the content of the advertisements or solicitations; and (2) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of the Bakery must be in the form we prescribe. If we approve the use of an electronic medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of electronic medium, including the use of any disclaimers, warnings, and other statements that we may prescribe. (Franchise Agreement, Section 8.8)

Pricing and Promotional Activities

To the extent permitted by applicable law, we have the right to establish maximum and/or minimum prices that you must follow for Menu Items, Merchandise, and other products and services sold in the Bakery. (Franchise Agreement, Section 7.23) You must participate in and comply with the terms of special promotional events and activities that we prescribe for Magnolia Bakeries generally or in specific geographic areas or for specific types of venues. These events and activities may include special offer, limited time offer, and other pricing promotions and the featured price(s) may be less than your cost for the promoted item(s). If required by our agreement with a supplier, you may have to purchase a certain amount of products from the supplier in connection with a promotion and you might not be able to use or sell all of the products. You must bear your own costs of participating in these promotional events and activities. You must display promotional signs and materials and otherwise participate in the manner we specify. (Franchise Agreement, Section 8.7)

Customer Data

We claim ownership of the customer data you obtain during the operation of your Bakery. This includes all databases (whether in print or electronic form) including names, addresses, phone numbers, e-mail addresses and customer purchase data. We reserve the right to use or transfer these records as we deem appropriate and to provide the information to our affiliates. Furthermore, we reserve the right to contact customers of the Bakery, as well as your employees, suppliers and other service providers, for purposes of conducting quality control, market research and for other business reasons as we deem appropriate.

ITEM 12
TERRITORY

Each Franchise Agreement is granted for the Franchised Location, which is a specific location that we approve. You must operate the Bakery only at the Franchised Location.

In the Franchise Agreement, we will designate your "Protected Territory" in which we will not operate, or grant the right to any other party to operate, Magnolia Bakeries (other than at Non-Traditional Locations) during the term of the agreement. You will not receive a Protected Territory if you operate from a Non-Traditional Location. The size of the Protected Territory will vary depending on, among other things, the location in which you wish to operate the Bakery. Typically, the Protected Territory will be set as a radius around the Franchised Location. The perimeters of the Protected Territory may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks, or other similar boundary descriptions. Factors that we will use in order to determine the Protected Territory include demographics, population density and number of households in the area, the growth profile of the populations within the area, the competitive environment in that market, and other factors that we will take into account.

You may not relocate your Bakery without our prior written consent, which may be withheld by us in our sole discretion. If we approve the relocation of the Bakery, you must pay our relocation fee and open the relocated Bakery for business within 180 days of closing the business at the previous location. You will bear all relocation costs and construction costs, including any costs of terminating the existing lease or occupancy agreement. You must de-identify the former location at your expense within the time period that we specify.

During the term of the Development Agreement, we and our affiliates will not operate, or license others to operate, any new Magnolia Bakeries in your Development Area (other than at Non-Traditional Locations), provided that you are in compliance with the terms of the Development Agreement and any other agreements with us and our affiliates and you are current on all obligations due to us and our affiliates. However, we may operate, and license others to operate, Magnolia Bakeries in the Development Area that are open and operating or under development when you sign the Development Agreement.

We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under either the Franchise Agreement or the Development Agreement.

You will not receive an exclusive territory under the Franchise or the Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will have no obligation to compensate you in connection with any such activities.

You receive the right to sell food and beverage items at retail to the public for carry-out and/or consumption at the Franchised Location and through authorized Off-Premises Programs. You do not have the right to use other channels of distribution, such as the Internet, catalog sales, wholesale, telemarketing, or other direct marketing efforts to make sales outside your Protected Territory. We may permit you to advertise the Bakery through the Internet and other electronic means, but we have the right to approve and control any electronic, mobile or Internet presence that uses or displays any of our Marks.

We reserve the right to merchandise and distribute goods and services identified by the Marks, including the Menu Items, beverages and Merchandise in your Protected Territory through any other method or channel of distribution, including through the Internet, catalog sales, wholesale, telemarketing, other direct marketing efforts and through Non-Traditional Locations, e-commerce, grocery stores, supermarkets, club stores, and similar retail outlets in your Protected Territory under the Marks and under other trademarks without compensating you.

We and our affiliates do not currently have any plans to operate, or offer franchises for, a business under a different trademark that will sell goods or services similar to those that are offered at Magnolia Bakeries.

ITEM 13
TRADEMARKS

We grant you a non-exclusive license to use the Marks during the term of the Franchise Agreement. We may also authorize you to use other current or future Marks to operate your Bakery. By Marks, we mean trade names, trademarks, service marks and logos we use to identify Magnolia Bakeries and the products sold in them. Our parent, Magnolia IP, is the owner of the Marks. Magnolia IP has registered the following marks with the United States Patent and Trademark Office ("USPTO") on the Principal Register:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
MAGNOLIA BAKERY	3126202 3208743 5232861	August 8, 2006 February 13, 2007 June 27, 2017
	4015572	August 23, 2011
	4338283	May 21, 2013

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	7147304 7503206 7680772	August 22, 2023 September 10, 2024 February 4, 2025
	7580677	November 26, 2024

Magnolia IP intends to file all required affidavits and renewals for the Marks listed above.

Our affiliate Magnolia IP has licensed to us the right to use and to sublicense the use of the Marks and the System for our own use and the use of our franchisees and licensees under a license agreement (the "License Agreement"). The term of the License Agreement will expire December 31, 2051. Magnolia IP may terminate the License Agreement if: (1) we are dissolved or become insolvent; (2) we assign our rights under the License Agreement without Magnolia IP's prior written consent, other than sublicensing to our affiliates, franchisees, and other sublicensees as authorized under the License Agreement; (3) we fail to pay any amount due to Magnolia IP and the breach remains uncured for 30 days after written notice; or (4) we, our affiliates, franchisees, or other sublicensees misuse the System or the Marks or otherwise materially breach the License Agreement and the breach remains uncured for 30 days after written notice. We may terminate the License Agreement at any time upon at least 90 days' notice prior to the stated effective date. If the License Agreement is terminated, you may lose the right to use the System and the Marks in your business.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the principal mark, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks.

On July 13, 2018, we entered into an agreement with Magnolia IP Holdings, LLC ("MIHL") where we agreed that we would not use the "Magnolia Bakery" mark for retail bakery services in Waco, Texas, we would use the "Magnolia Bakery" stylized mark for printed goods, clothing, household goods and we would not sell any goods or services in Walmart and Target stores so long as MIHL continues to sell goods and services in those stores, however we can operate a bakery kiosk or sell finished baked goods, cookbooks and other books in these stores. The parties agreed that MIHL could continue to use the "Magnolia" mark for all goods and services other than a standalone bakery or for finished baked goods sold direct to consumers through e-commerce channels and MIHL can use the "Magnolia Table" mark for restaurant services and the "Magnolia Flour" mark for retail bakery services and a bakery located in Waco, Texas. The parties believe that their trademarks can coexist without resulting in confusion for consumers.

Other than as described above, there are no agreements currently in effect that significantly limit our right to use or license the use of the principal Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state.

We and Magnolia IP periodically become aware of food service businesses which are using the mark "MAGNOLIA". We do not know of any infringing uses that could materially affect your use of the Marks. However, since the name "MAGNOLIA" is not uncommon, it is possible that we may not be aware of all businesses which utilize the name. You should check your own local area for possible similar names. Depending on a variety of legal and factual considerations, any such current users may be able to continue to use the name MAGNOLIA with their food service business in their marketing area.

You must follow our rules when you use the Marks. You may not use any of the Marks as part of your corporate name, Internet domain name, or e-mail address, or with modifying words, designs or symbols. You may not use the Marks for the sale of an unauthorized product or in any other manner not authorized by the Franchise Agreement.

You must notify us of any unauthorized use of the Marks. You must also notify us of any challenge to the validity of, or the right to use, any of the Marks. We have the right to control any administrative proceeding or litigation that involves the Marks. This right includes the right to settle any of those disputes. We may, but are not required to, try to stop other people from using the Marks.

You must promptly notify us of any infringement of or challenge to your use of any Trademark. We and Magnolia IP will have sole discretion to take whatever action we deem appropriate to protect the Marks. Under the Franchise Agreement, we (and Magnolia IP) have the right to control any litigation or administrative proceeding with respect to the Marks. You will also cooperate in the prosecution or defense of any action related to the Marks and will render any assistance we think is reasonably required to assist in this prosecution or defense, at our expense (except the cost of your separate counsel), except you will bear the expense and you must reimburse us and Magnolia IP for the costs of the action under your indemnification obligations under the Franchise Agreement if the action is due to your conduct, acts or omissions.

If your use of any Trademark in compliance with our standards and specifications is challenged by a third party, we will direct you to either discontinue using the Trademark or to continue using the Trademark. If we decide that you should modify or discontinue your use of any Trademark and/or use one or more additional or substitute Marks, you must comply with this decision within 45 days, whether or not a claim of infringement has been made. The Franchise Agreement does not require us to indemnify you from any third-party damage that you suffer or provide for you to receive compensation for tangible costs of changing any Trademark. We and Magnolia IP will take reasonable efforts to protect and defend the Marks under the Franchise Agreement, but we are not otherwise obligated by the Franchise Agreement to protect any or all rights that you have to use the Marks. We will not have any liability to you regarding the Marks, including third-party damages, consequential damages, lost profits, lost sales, loss of use of the Marks, or the tangible costs of changing any Trademark.

We can modify the Marks and/or substitute different marks for use in identifying Magnolia Bakeries and the System. You must promptly implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of the modification or substitution.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Bakery.

Copyrights

We and our affiliates claim copyright protection for the Proprietary Materials, which include, but are not limited to, the Manual, training materials, advertisements, promotional materials, labels, menus, posters, coupons, gift certificates, signs, websites, store designs, and prototype plans and specifications. Neither we nor our affiliates have registered the copyrights in any of the Proprietary Materials but we are not required to do so. You can use the Proprietary Materials only for the purpose of developing and operating your Bakery. You must notify us of any unauthorized use of the Proprietary Materials. You must also notify us of any challenge to the validity of, or the right to use, any of the Proprietary Materials. We have the right to control any administrative proceeding or litigation that involves the Proprietary Materials. This right includes the right to settle any of those disputes. We may, but are not required to, try to stop other people from using the Proprietary Materials.

We claim proprietary rights in certain Menu Items associated with Magnolia Bakeries including our proprietary recipes. We protect the recipes and manufacturing processes for these items as trade secrets.

We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of Proprietary Materials.

The Manual and Confidential Information

We will provide you with electronic access during the term of the Franchise Agreement to the Manual, which contains information and knowledge that is unique, necessary and material to the System. The Manual contains detailed standards, specifications, instructions, requirements, methods and procedures for management and operation of the Bakery. You must at all times operate the Bakery in strict conformity with the Manual; maintain the Manual at the Bakery; not reproduce the Manual or any part of it; and treat the Manual as confidential and proprietary, and; disclose the contents of the Manual only to your employees who have signed a confidentiality agreement and who have a demonstrated need to know the information contained in the Manual.

At our request, you must require your employees, landlord, contractors, and any other person to whom you wish to disclose any of our confidential information to agree in writing not to disclose that information to others or to use it for their own benefit. We must approve these agreements.

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

We do not require that you or your owners participate personally in the direct operation of your Bakery. You must designate one of your owners as your "Managing Owner" who will be the person with whom we communicate and who will have the authority to bind you with respect to all financial, operational and legal matters related to the Bakery and the Franchise Agreement. The Managing Owner may also serve as your Operations Leader and/or your Multi-Unit Manager (as defined below). You must designate a replacement within 30 days after your Managing Owner leaves his or her position.

If you or your affiliates own or control more than one Magnolia Bakery and your Managing Owner devotes less than full time to supervising the operation of the Bakeries, you must designate and retain an individual to serve as your Multi-Unit Manager who will devote full time and best efforts to supervising the operation of your Magnolia Bakeries. You must obtain our approval before designating anyone to serve as a Multi-Unit Manager. You must designate a replacement within 30 days after your Multi-Unit Manager leaves his or her position. We may reject any proposed Multi-Unit Manager who does not have significant experience in the multi-unit restaurant business.

You must designate one individual who must meet the educational and experience standards we impose in the Manual who will serve as your full-time manager (the "Operations Leader"). The Operations Leader will oversee the operation of the Bakery and the training of all of your employees working in the Bakery. We are authorized to communicate with you and the Operations Leader concerning all operational, promotional, and marketing aspects of the Bakery. Your Managing Owner may serve as your Operations Leader.

You must designate one individual who must meet the educational and experience standards we impose in the Manual who will oversee the baking operation of all of Bakery and serve as your full-time baking production manager with respect to the Bakery (the "Baking Production Manager"). The Baking Production Manager will oversee the preparation of Menu Items in accordance with our recipes, methods, and specifications, and supervise the training and performance of all of the bakers in the Bakery.

We must approve of your Operations Leader and the Baking Production Manager and any replacement Operations Leader and Baking Production Manager before the individual assumes the

position. The Operations Leader and the Baking Production Manager and any replacement Operations Leader and Baking Production Manager must successfully complete our initial training program for their position before assuming the position. The Operations Leader and the Baking Production Manager do not have to have an equity ownership in your business entity, but any Operations Leader and Baking Production Manager must sign our Non-disclosure Agreement in substantially the form attached to the Franchise Agreement as Exhibit F. You must designate a replacement satisfactory to us and meeting the requirements contained in the Franchise Agreement and the Manual within 30 days after your Operations Leader or Baking Production Manager leaves their position.

We do not require the Multi-Unit Manager, Operations Leader, Baking Production Manager, or other managers to have an equity ownership interest in your company.

If you are any type of business entity other than a sole proprietorship, we and you will identify a "Control Group." The members of the Control Group will be listed in an exhibit to the Franchise Agreement and the Development Agreement, and you must notify us of any change in the Control Group. Your Managing Owner must be a member of your Control Group. Each member of the Control Group and each person who holds a legal or beneficial interest in you of 10% or more and each of their spouses is bound by the confidentiality and non-competition restrictions described in Item 17 and must sign a guarantee assuming and agreeing to discharge all of your obligations to us unless we waive or modify this requirement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all Menu Items, Merchandise, products and services that we designate. You may not offer or sell any additional items without obtaining our prior written consent. You must sell products only in the weights, sizes, forms, and packages that we have approved. You must cease selling or offering for sale any products or services that we disapprove at any time. We may change the types of authorized products and services, and there are no limits on our right to make changes.

You must keep the Bakery open and in full operation during the days and hours of operation we and you agree or as we otherwise approve in writing.

You must operate the Bakery in strict conformity with the methods, standards, and specifications we require in the Manual, which we may amend.

You must participate in promotional activities that we require generally for Magnolia Bakeries in the System. If we require that you conduct any promotional activities, you will bear your own costs of conducting these activities.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists 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 (FA), Non-Traditional Location Addendum (NLA), or Development Agreement (DA)	Summary
a. Length of the franchise term	FA: 1.2 NLA: 3 DA: 7.1	FA: 10 years following the effective date of the Franchise Agreement. For a Non-Traditional Location, the Agreement terminates automatically upon termination or expiration of your contract to provide foodservice at the facility or 60 days after you provide written notice to us if your client at the facility has instructed you in writing to cease operating the Bakery. DA: The term expires on the earlier of the opening date or the opening deadline for the last Bakery you commit to develop in the Development Schedule.
b. Renewal or extension of the term	FA: 15.1 NLA: Not Applicable DA: Not Applicable	FA: Provided we are still franchising and have not made a decision to withdraw from the geographic market of the Bakery, and if you are in good standing, you can renew the franchise for two five-year terms.
c. Requirements for you to renew or extend	FA: 15.2 & 15.3 NLA: Not Applicable DA: Not Applicable	FA: Provide written notice of intent to renew; be in compliance with other agreements with us; demonstrate right to remain in possession of the Franchised Location; agree to renovate the Bakery; meet our standards for new franchisees; sign renewal franchise agreement, sign general release and pay renewal fee. The renewal franchise agreement may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements, but will not include an initial franchise fee.
d. Termination by you	Not Applicable	You may not terminate either the Franchise Agreement or Development Agreement.
e. Termination by us without cause	Not Applicable	We may not terminate either the Franchise Agreement or the Development Agreement without cause.

Provision	Section in Franchise Agreement (FA), Non-Traditional Location Addendum (NLA), or Development Agreement (DA)	Summary
f. Termination by us with cause	FA: 16 NLA: Not Applicable DA: 7.2 - 7.6	We may terminate the Franchise Agreement and the Development Agreement only if you or your owners commit any one of several violations. In addition to our right to terminate the Development Agreement, we may (1) temporarily suspend your rights to develop additional Magnolia Bakeries in any part of the Development Area; (2) reduce the size of the Development Area; or (3) extend the Development Schedule.
g. "Cause" defined - defaults which can be cured	FA: 16.3 NLA: Not Applicable DA: 7.2 – 7.6	FA: You have five days to cure non-payment of fees or non-submission of reports and 30 days to cure other defaults, except for those described in h. below. DA: You have five days to cure non-payment of fees and 30 days to cure other defaults, except for those described in h. below.
h. "Cause" defined - noncurable defaults	FA: 16.1 and 16.2 NLA: Not Applicable DA: 7.2 and 7.3	FA: Non-curable defaults: insolvency, bankruptcy; failure to complete training; failure to timely identify a site and open the Bakery; abandonment; loss of possession of the Franchised Location; default on material indebtedness; commission of felony; threat to public safety; unapproved transfers; operating a Competing Business (see q. below); disclosure of trade secrets; filing false reports; repeated defaults even if cured; default of any other agreements between you or your affiliates and us or our affiliates; and others. DA: Non-curable defaults: failure to meet your development obligations; disclosures of trade secrets; operating a Competing Business; unauthorized transfer; material misrepresentation; filing false reports; conviction of felony; termination of any franchise agreement between you or your affiliates and us or our affiliates; and others. Termination of a Franchise Agreement will result in the termination of your Development Agreement and your right to develop additional Bakeries in the Development Area; however, termination of a Development Agreement will not result in a termination of any Franchise Agreements in place for Bakeries that you operate.
i. Your obligations on termination/ non-renewal	FA: 17 NLA: Not Applicable DA: 7.5	FA: Obligations include closing the Bakery, de-identifying the Franchised Location; paying amounts due and returning our proprietary materials (also see o. and r. below). DA: No further right to develop Bakeries.

Provision	Section in Franchise Agreement (FA), Non-Traditional Location Addendum (NLA), or Development Agreement (DA)	Summary
j. Assignment of contract by us	FA: 14.1 NLA: Not Applicable DA: 6.1	There are no restrictions on our right to assign.
k. "Transfer" by you – definition	FA: 14.2 NLA: Not Applicable DA: 6.2	FA: Restrictions apply to transfer of any direct or indirect interest in the Agreement, in you (if you are a corporation or other entity), or in substantially all of the assets of the Bakery.
l. Our approval of transfer by you	FA: 14.2 NLA: Not Applicable DA: Not Applicable	FA: We have the right to approve all transfers. DA: You have no right to transfer interest in the Development Agreement.
m. Conditions for our approval of transfer	FA: 14.4 NLA: Not Applicable DA: Not Applicable	FA: Transferee qualified; accrued fees paid; no default exists; sales price reasonable; transferee signs new agreement; new Operations Leader and Baking Production Manager are appointed; training arranged and transfer training fee paid; transferee agrees to upgrade and remodel the Bakery; you sign release and pay our transfer fee.
n. Our right of first refusal to acquire your business	FA: 14.3 NLA: Not Applicable DA: Not Applicable	FA: We have the right to match any offer.
o. Our option to purchase your business	FA: 17.2 NLA: Not Applicable DA: Not Applicable	Upon expiration or termination of the Franchise Agreement, we can take assignment of your lease and purchase the Bakery assets at its net book value, using a 5 year amortization period.
p. Your death or disability	FA: 14.6 NLA: Not Applicable DA: Not Applicable	FA: Executor or personal representative must assign your interest to approved party within three months. If the deceased or incapacitated person is the Managing Owner, we have the right to manage operation of the Bakery until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services.
q. Non-competition covenants during the term of the franchise	FA: 13.2 NLA: Not Applicable DA: 5.2	No diverting customers to a Competing Business and no involvement in a "Competing Business" defined as any bakery, restaurant, café, or food service operation offering or featuring bakery dessert or related menu items which are the same as or similar to those offered at any Magnolia Bakery operating pursuant to the System, including without limitation banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares.

Provision	Section in Franchise Agreement (FA), Non-Traditional Location Addendum (NLA), or Development Agreement (DA)	Summary
r. Non-competition covenants after the franchise is terminated or expires	FA: 13.2 NLA: Not Applicable DA: 5.2	FA: No involvement with any Competing Business for two years within six miles of the Franchised Location or within six miles of any other Magnolia Bakery. DA: No involvement with Competing Business for two years within the Development Area, within six miles of the border of the Development Area or within six miles of any other Magnolia Bakery.
s. Modification of the agreement	FA: 22 NLA: Not Applicable DA: 12	No modification generally without signed agreement, but we may modify the System and the Manual.
t. Integration/ merger clause	FA: 22 NLA: Not Applicable DA: 12	Only the terms of the Franchise Agreement and Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document, Franchise Agreement and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	FA: 23.2 NLA: Not Applicable DA: 13.2	Subject to state law, all claims brought by you must be filed in the jurisdiction where we have our principal place of business, which is currently New York, New York. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time of suit, in the jurisdiction where you reside or do business, where the Bakery is or was located, or where the claim arose.
w. Choice of law	FA: 23.1 NLA: Not Applicable DA: 13.1	Subject to state law, the law of the state in which we have our principal place of business (currently New York).

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote our franchises.

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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.

TABLE 1
2025 AVERAGE GROSS REVENUES
OF TEN AFFILIATE-OWNED BAKERIES

The following table contains historic financial performance information of ten Affiliate-owned Bakeries in the United States that were open and operating for the full fiscal period from December 30, 2024 to December 28, 2025 (the "Reporting Period"). This includes eight Flagship (Full-Bake) Stores and two No-Bake Stores.

Average Gross Revenues	$4,595,074
Range of Gross Revenues	$1,975,515 - $8,377,505
Median Gross Revenues	$4,555,650
Number and Percentage of Bakeries that Met or Exceeded Average Gross Revenues	5 / 50%

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TABLE 2
2025 PERCENTAGE OF GROSS REVENUES BY SALES CHANNEL
OF TEN AFFILIATE-OWNED BAKERIES

The following chart presents the percentage of Gross Revenues that were earned by sales channel for the ten Affiliate-owned Bakeries that were in operation for the 2025 calendar year. This includes eight Flagship (Full-Bake) Stores and two No-Bake Stores.

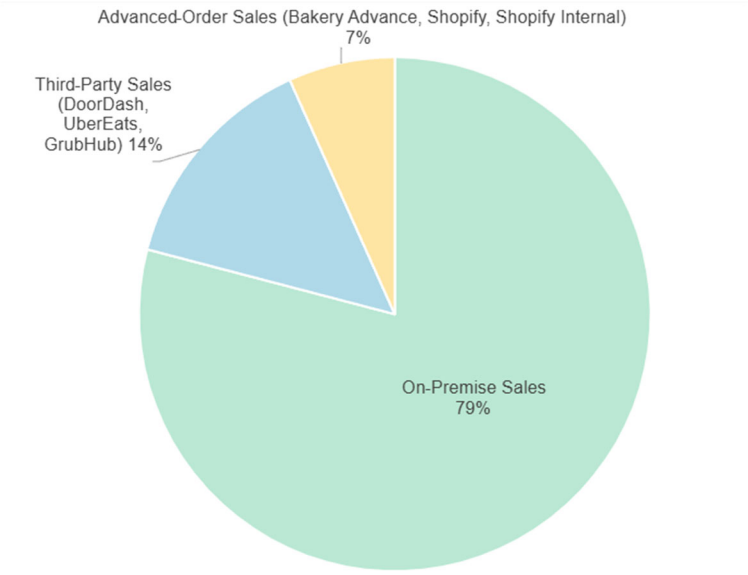

TABLE 3
2025 PERCENTAGE OF GROSS REVENUES BY PRODUCT CATEGORY
OF TEN AFFILIATE-OWNED BAKERIES

The following chart presents the percentage of Gross Revenues earned by product category for the ten Affiliate-owned Bakeries that were in operation for the 2025 calendar year. This includes eight Flagship (Full-Bake) Stores and two No-Bake Stores.

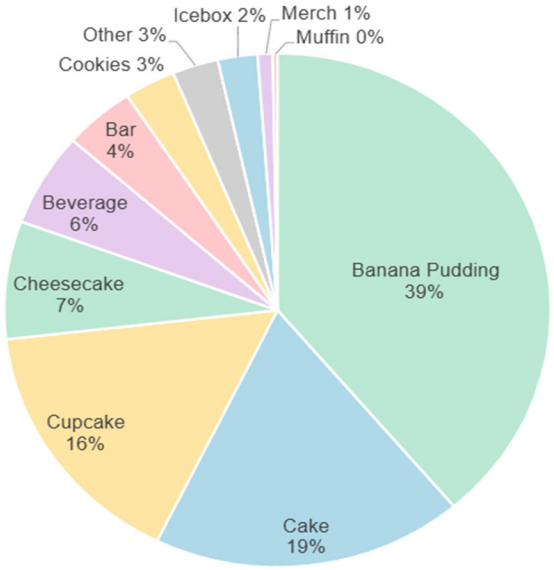

TABLE 4
2025 DAYPART ANALYSIS OF TEN AFFILIATE-OWNED BAKERIES

The following table contains daypart definitions and historic transactional data by daypart of our ten Affiliate-owned Bakeries that were open and operating for the full Reporting Period. This includes eight Flagship (Full-Bake) Stores and two No-Bake Stores.

Category	Morning 7am – 12pm	Mid-Day 12pm – 5pm	Night 5pm – 12am	Total
Average Transactions per Day Part per Bakery	107	355	364	827
Average Customer Ticket per Bakery	$15.60	$14.46	$14.03	$14.42
Average Daily Sales per Bakery	$1,673	$5,137	$5,108	$11,918
% of Total Transactions	13%	43%	44%	100%

TABLE 5
2025 THIRD-PARTY DAILY SALES OF TEN AFFILIATE-OWNED BAKERIES

The following table contains historic third-party revenue data of our ten Affiliate-owned Bakeries were open and operating for the full Reporting Period. This includes eight Flagship (Full-Bake) Stores and two No-Bake Stores.

Platform	DoorDash	Uber Eats	Grub Hub	Total
Total Annual Third-Party Sales per Bakery	$290,348.70	$272,760.80	$93,525.20	$656,633.70
Average Third-Party Daily Sales per Bakery	$797.70	$749.30	$256.90	$1,803.90
% of Third-Party Sales	44%	42%	14%	100%

TABLE 6
2025 GROSS REVENUES AND EXPENSES BY CITY
OF EIGHT AFFILIATE-OWNED FLAGSHIP (FULL-BAKE) STORES

The following table contains historic financial performance information of our eight Affiliate-owned Flagship (Full-Bake) Stores that were open and operating for the full Reporting Period. The table is a statement of the average Gross Revenue, Costs and Expenses, and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") achieved during the Reporting Period by these Magnolia Bakeries. This table excludes the performance of our two Affiliate-owned No-Bake Stores in New York, New York that do not produce menu items on site.

Category	6 New York, New York Bakeries	% of Revenue	1 Chicago, Illinois Bakery	% of Revenue	1 Los Angeles, California Bakery	% of Revenue
Average Gross Revenue	$5,490,343	100%	$4,370,965	100%	$3,018,387	100%
Costs and Expenses						
Food and beverage cost of sales	$1,460,289	27%	$1,077,382	25%	$854,714	28%
Payroll expenses & benefits	$1,436,238	26%	$1,069,692	24%	$978,654	32%
Occupancy expenses	$727,080	13%	$487,755	11%	250,555	8%
Controllable expenses	$110,874	2%	$106,546	2%	$100,190	3%
General and administrative	$419,830	8%	$395,225	9%	$369,396	12%
Paid Media	$88,733	2%	$109,149	2%	$150,132	5%
Total Costs and Expenses	$4,243,044	77%	$3,245,748	74%	$2,703,640	90%
EBITDA	$1,247,299	23%	$1,125,216	26%	$314,747	10%
Range of Gross Revenues (NY Bakeries)	$3,317,997 - $8,377,505					
Median Gross Revenues (NY Bakeries)	$5,329,330					
Number and Percentage of NY Bakeries that Met or Exceeded Average Gross Revenues	3 / 50%					

TABLE 7
2025 GROSS REVENUES AND EXPENSES BY OF
TWO NEW YORK, NEW YORK AFFILIATE-OWNED NO-BAKE STORES

The following table contains historic financial performance information of our two Affiliate-owned No-Bake Stores that were open and operating in New York, New York for the full Reporting Period. The table is a statement of the Average Gross Revenue, Costs and Expenses, and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") achieved during the Reporting Period by these Magnolia Bakeries. This table excludes the performance of our eight Affiliate-owned Flagship (Full-Bake) Stores.

Category	2 New York, New York No-Bake Stores	% of Revenue
Average Gross Revenue	$2,809,667	100%
Costs and Expenses		
Food and beverage cost of sales	$1,132,907	40%
Payroll expenses and benefits	$534,402	19%
Occupancy expenses	$225,429	8%
Controllable expenses	$41,075	1%
General and administrative	$220,314	8%
Paid Media	$45,410	2%
Total Costs and Expenses	$2,199,537	78%
EBITDA	$610,130	22%
Range of Gross Revenues	$1,975,515 - $3,643,818	
Median Gross Revenues	$2,809,667	
Number and Percentage of Bakeries that Met or Exceeded Average Gross Revenues	1 / 50%	

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TABLE 8
2025 AVERAGE GROSS REVENUES FOR ONE FRANCHISED BAKERY OPERATING AT A NON-TRADITIONAL LOCATION

The following table contains the 2025 Gross Revenues for one franchised Bakery operating at a Non-Traditional Location at LaGuardia Airport in Queens, New York. The data represented is for the Reporting Period.

Gross Revenue	$988,503

TABLE 9
ADDITIONAL EXPENSES FOR FRANCHISED MAGNOLIA BAKERIES BASED ON THE AVERAGE GROSS REVENUES IN TABLE 1

The following table presents the Royalty Fees, Marketing Fund Contributions, and Technology Development Fees that a prospective franchisee would expect to pay whose Magnolia Bakery achieved the Average Gross Revenues presented in Table 1.

Royalty Fees	$275,704
Marketing Fund Contributions	$137,852
Technology Development Fees	$7,800

NOTES

1. "Gross Revenue" means the aggregate amount of all revenues generated from the sale of all products and services sold and all other income of every kind related to the Bakery, whether for cash or credit (and regardless of collection in the case of credit), whether from sales at the premises, by delivery, from catering, or at wholesale (whether the sales method is permitted or not). The following are not included in Gross Revenue: (1) sales taxes or other taxes collected from customers for transmittal to the appropriate taxing authority (2) proceeds from the sale of gift cards or stored value cards; and (3) customer refunds made in good faith.

2. Tables 1 – 7 exclude the performance of one franchised Bakery operating at a Non-Traditional Location, the performance of which is include in Table 8. This franchised Bakery offers a limited product assortment as part of a pilot program for this format. The menu primarily features our consumer-packaged goods, with the product mix condensed to select core items including brownies and blondies, banana pudding, a limited selection of cheesecake flavors, a two-cookie assortment, and a limited selection of cake slices and loaves. The beverage program is restricted to grab-and-go options. This location also operates with reduced hours compared to traditional Magnolia Bakery locations. The data presented for this franchised Bakery was reported to us by our franchisee.

3. The results shown in this financial performance representation for the Affiliate-owned Bakeries were prepared from data compiled in the ordinary course of business by our employees. The characteristics of the Affiliate-owned Bakeries reflected in this financial performance representation do not differ materially from those of new Bakeries developed by our franchisees. One Affiliate-owned Flagship (Full-Bake) Store provides menu items for a kiosk operating at the same facility and the sales from the kiosk are included in the results for the Flagship (Full-Bake) Store.

4. The data appearing in this financial performance representation constitutes a historic representation. Written substantiation for the financial performance representations appearing in this financial performance representation will be made available to all prospective franchisees upon reasonable request.

5. Some Magnolia Bakeries have sold and/or earned this amount. Your individual results may differ. There is no assurance that you'll sell and/or earn as much.

Other than the preceding financial performance representation, Magnolia Bakery International, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should immediately report it to the franchisor's management by contacting our Chief Executive Officer, Nathan Louer, 244 West 54th Street, Suite 501, New York NY, 10019, (212) 265-2777, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2023 to 2025*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2023	0	0	0
	2024	0	1	+1
	2025	1	1	0
Affiliate-Owned Outlets	2023	10	10	0
	2024	10	10	0
	2025	10	10	0
Total Outlets	2023	10	10	0
	2024	10	11	+1
	2025	11	11	0

* As of December 31, 2023, December 29, 2024, and December 28, 2025.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Years 2023 to 2025*

State	Year	Number of Transfers
Total	2023	0
	2024	0
	2025	0

* As of December 31, 2023, December 29, 2024, and December 28, 2025. States not listed had no activity to report.

Table No. 3
Status of Franchised Outlets
For Years 2023 to 2025*

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
NY	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Total	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1

* As of December 31, 2023, December 29, 2024, and December 28, 2025. States not listed had no activity to report.

Table No. 4
Status of Affiliate-Owned Outlets
For Years 2023 to 2025*

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CA	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
IL	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
NY	2023	8	0	0	0	0	8
	2024	8	0	0	0	0	8
	2025	8	0	0	0	0	8
Total	2023	10	0	0	0	0	10
	2024	10	0	0	0	0	10
	2025	10	0	0	0	0	10

* As of December 31, 2023, December 29, 2024, and December 28, 2025. States not listed had no activity to report.

Table No. 5
Projected Openings as of December 28, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Affiliate-Owned Outlets in the next Fiscal Year
CT	1	1	0
KY	1	1	0
MI	1	1	0
NV	1	1	0
NY	1	1	0
OH	1	1	0
PA	1	1	0
UT	2	2	0
Total	9	9	0

If multiple events occurred that affected an outlet, the tables show the event that occurred last in time.

Exhibit F lists our current franchisees and franchisees who had an outlet terminated, transferred cancelled, not renewed, cease to operate or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, during the last three fiscal years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with the Magnolia Bakery system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. Specifically, in conjunction with settlement agreements and certain amendments to Franchise and Development Agreements, some former and current franchisees have signed confidentiality agreements.

There are no trademark-specific franchisee organization associated with the franchise system offered in this Franchise Disclosure Document and no independent franchisee organization has asked to be included in this Franchise Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit E are our audited financial statements for the fiscal years ending December 28, 2025, December 29, 2024, and December 31, 2023. Our fiscal year ends on the last Sunday in December each year.

ITEM 22
CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts:

Exhibit A	Franchise Agreement
Exhibit B	Non-Traditional Location Addendum
Exhibit C	Development Agreement

ITEM 23
RECEIPTS

Two copies of a receipt form appear at the end of this disclosure document. Please fill out and sign both receipts, return one copy to us and keep the other for your records.

EXHIBIT A

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

Franchisee:

Franchised Location:

MAGNOLIA BAKERY FRANCHISE AGREEMENT
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Exhibits

A - Franchise Information
B - Ownership Information
C - Guarantee and Assumption of Franchisee's Obligations
D - Conditional Assignment and Power of Attorney - Telephone and On-Line Numbers and Listings
E - Form of Lease Addendum
F - Form of Non-Disclosure Agreement
G - ACH Authorization Form

MAGNOLIA BAKERY FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is entered into by and between **Magnolia Bakery International, LLC** a Delaware limited liability company (**"we," "us," "our,"** or **"Franchisor"**) and the person(s) or entity identified on the signature page to this Agreement (**"you," "your,"** or **"Franchisee"**) as of the Effective Date indicated on the signature page of this Agreement.

BACKGROUND

A. We have expended substantial resources to develop a system (the "**System**") for establishing, developing and operating MAGNOLIA BAKERY® retail stores ("**Magnolia Bakeries**") specializing in classic American desserts, including banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares ("**Menu Items**"), and offering coffee, tea, other beverages, and related retail merchandise (whether now existing or developed in the future, including but not limited to consumer packaged goods, T-shirts, cookbooks, sprinkle jars, fabric bags, aprons, and retail mixes for Menu Items for consumer use only, collectively, "**Merchandise**").

B. The System includes our confidential and proprietary operations manual ("**Manual**") other proprietary information, specifications for interior and exterior store design and other items of trade dress, décor, fixtures, equipment, and uniforms; defined product and service offerings and preparation methods; standard operating, administrative and record keeping procedures; training programs; market analysis; sales and merchandising methods; know-how; trade secrets; formulas; recipes; processes; formats; procedures; standards; quality assurance systems; advertising techniques; and business management, all of which we may change, improve, and further develop from time to time.

C. We and our affiliates identify the System and the food service businesses operating under it by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark MAGNOLIA BAKERY® and such other trade names, service marks, and trademarks as we may in the future designate for use in connection with the System (the **"Marks"**).

D. Magnolia Bakeries operate in two formats. A "**Flagship (Full-Bake) Store**" is a Magnolia Bakery offering an expansive menu of products that are produced on site. A "**No-Bake Store**" is a smaller Magnolia Bakery offering fewer menu items with products that are produced off site.

E. You wish to obtain the right to establish and operate a Magnolia Bakery at the Franchised Location (as defined in Section 1.1 below) upon the terms and conditions set forth in this Agreement.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and they agree as follows:

1 GRANT AND INITIAL TERM

1.1 Grant. We grant you the non-exclusive right, and you undertake the obligation, on the terms and conditions set forth in this Agreement, to establish and operate a franchised Magnolia Bakery (the "**Bakery**") in the store format and at the location identified in Exhibit A (the "**Franchised Location**") and a license to use the Marks and the System solely in connection with the Bakery in compliance with the operating standards set forth in the Manual (the "**Franchise**"). If, as of the Effective Date, you have not secured a site that we have accepted for the Bakery, then you must select a site for the Bakery in accordance with Section 2.2 of this Agreement.

1.2 Initial Term. Unless terminated sooner as provided in this Agreement, the initial term of this Agreement (the **"Initial Term"**) expires on the ten (10) year anniversary of the Effective Date. Your rights to seek a renewal franchise agreement for an additional term are set forth in Section 15.

1.3 Protected Territory. During the term of this Agreement, we will not operate, or grant the right to any other party to operate, a Magnolia Bakery in the area designated in Exhibit A as your "**Protected Territory**," except as otherwise provided in Sections 1.3.A through 1.3.G. We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we and our affiliates have the sole right to do any or all of the following (notwithstanding the proximity to your Protected Territory or Bakery or any actual or threatened impact on sales at your Bakery):

A. Operate or license others to operate at any location, during or after the term of this Agreement, any type of food service business other than Magnolia Bakeries;

B. Operate or license others to operate, during the term of this Agreement, Magnolia Bakeries at any location outside the Protected Territory;

C. Operate or license others to operate, after this Agreement terminates or expires, Magnolia Bakeries at any location, including within the Protected Territory or at the Franchised Location;

D. Operate or license others to operate Magnolia Bakeries at any Non-Traditional Location (as defined below) within or outside the Protected Territory. The term "**Non-Traditional Location**" includes, among other things, college campuses, schools, hotels, casinos, airports and other travel related facilities; government facilities (including military bases); theme and amusement parks; recreational facilities; venues in which food service is or may be provided by a master concessionaire or contract food service provider; seasonal facilities; ghost or virtual kitchens; theaters; sporting event arenas and captive market centers; and non-food service businesses of any sort within which a branded facility is established and operated;

E. Merchandise and distribute goods and services identified by the Marks, including the Menu Items and Merchandise, at any location through any other method or channel of distribution whether such channel of distribution is now in existence or is hereafter developed and whether at retail or wholesale, including through Non-Traditional Locations, e-commerce, grocery stores, supermarkets, club stores, and similar retail outlets;

F. Develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and

G. Purchase, be purchased by, merge or combine with, businesses that directly compete with Magnolia Bakeries.

1.4 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and our affiliates and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

1.5 Best Efforts. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, that you will continuously exert your best efforts to promote and enhance the business of the Bakery and that you will not engage in any other business or activity that may conflict with your obligations under this Agreement, except the operation of other Magnolia Bakeries.

2 DEVELOPMENT OF THE BAKERY

2.1 Your Responsibility. You assume all cost, liability, expense, and responsibility for constructing, equipping and operating the Bakery in accordance with our standards at the Franchised Location. If the Franchised Location has not been designated as of the Effective Date, then you must: (1) follow the site selection procedures set forth in Section 2.2 below; and (2) obtain our acceptance of a site and acquire a possessory or leasehold interest in the site within six (6) months after the Effective Date

("**Site Acquisition Deadline**"). You must open the Bakery within thirteen (13) months after the Effective Date ("**Opening Deadline**"). Any failure by you to meet the Site Acquisition Deadline (if applicable) or the Opening Deadline shall be a default of this Agreement for which we can terminate this Agreement without providing you an opportunity to cure the default. **TIME IS OF THE ESSENCE.**

2.2 Site Selection

A. We will provide you with our site selection criteria and, as you may request, a reasonable amount of consultation with respect to the site selection process. Periodically, we may change our site selection criteria, which may include population density and composition, leasing costs, parking, visibility, character of the neighborhood, competition from other food service businesses in the area, proximity to other businesses (including businesses operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance, other physical characteristics, and site plan of the Franchised Location. At our option, you must engage our designated or approved supplier of real estate services to assist you in the site selection and/or lease negotiation process.

B. Within ninety (90) days after the Effective Date, you must submit a completed site application form prescribed by us, an option contract, letter of intent, or other evidence satisfactory to us that describes your favorable prospects for obtaining the site, photographs of the site, site layout, demographic statistics, market surveys, and other information or materials we may require (collectively, the "**Site Application Package**") for a suitable site located within the geographic area identified on Exhibit A ("**Site Selection Area**"). You should not make any binding commitments to acquire any interest in any site for the Bakery until we have accepted that site in writing.

C. Within thirty (30) days after we receive your detailed Site Application Package, we or our designee will conduct an evaluation of the proposed site(s) and accept or reject your proposed sites. At our option, we may conduct an on-site evaluation of the proposed site(s). We will not unreasonably withhold our acceptance of a site that meets our site selection criteria. In evaluating your proposed site, we will consider demographic data you provide, as well as other information regarding the characteristics of the site and trade area including visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking. We also may consider the site's proximity both to the Site Selection Area's boundaries and to other existing or potential sites for Magnolia Bakeries located outside the Site Selection Area. If we do not accept a proposed site in writing in this time period, we will be deemed to have rejected the site.

D. You agree that our acceptance of a site for the Bakery and any information communicated to you regarding our site selection criteria for Magnolia Bakeries does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for the Bakery or for any other purpose. Our acceptance of a site is not a representation or a promise by us that the Bakery at the site will achieve certain revenues or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that the accepted site will have higher revenues or be more profitable than a site that we rejected.

E. You agree that your decision to develop and operate the Bakery at a site that we accept is based solely on your own independent investigation of the suitability of that site for a Bakery. We assume no liability or responsibility for: (1) evaluation of the soil of the site for hazardous substances; (2) inspection of any structure at the site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("**ADA**"); or (4) compliance with any other applicable law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the site and any structures on the site are free from environmental contamination and in compliance with the requirements of the ADA.

2.3 Site Acquisition Period. If you propose to purchase the site for the Bakery, you must provide us with a copy of the deed or other evidence of ownership within thirty (30) days after we accept the site (the "**Site Acquisition Period**"). If you propose to lease or sublease the site, you must provide us with a copy of the fully-executed lease or sublease for the site ("**Lease**") within the Site Acquisition Period.

After you secure an ownership or leasehold interest in the site, we will insert its address into Exhibit A, and it will be the Franchised Location. You hereby authorize us to deliver to you replacements for Exhibit A identifying the Franchised Location, and upon our delivery to you of a revised Exhibit A, that Exhibit A shall be binding upon us and you as if we and you had signed that Exhibit A.

2.4 Lease Provisions. We have the right to review the terms of the Lease for the Franchised Location before you sign the Lease. The Lease must: (1) in form and substance, be satisfactory to us; (2) include all of the provisions set forth in the form of Addendum to Lease attached to this Agreement as Exhibit E including the requirement to assign the Lease to us or our designee in case there is an early termination of this Agreement due to a breach by you; (3) be for an aggregate term of (at least) ten (10) years in a combination of initial and renewal terms; (4) contain terms and conditions and payments that are commercially reasonable in our opinion; (5) state that the Franchised Location must only be used for the operation of the Bakery; and (6) include any other provisions as we may require from time to time. The Lease shall not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. You acknowledge that our review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Magnolia Bakery operated at the Franchised Location. Our review will indicate only whether we believe that the terms of the Lease meet our then-acceptable criteria.

2.5 Permitting/Licensing. After acquiring a possessory interest in the Franchised Location, you shall promptly begin the permitting, licensing and approval process to ensure that construction of the Bakery commences within thirty (30) days after the date the Lease is fully executed or the purchase of the Franchised Location is consummated. If permitting and licensing is anticipated to take longer than thirty (30) days, you shall advise us in writing of the date on which you anticipate obtaining such permits and licenses and the reasons for the extended time period.

2.6 Construction of the Bakery

A. You assume all cost, liability and expense for developing, constructing and equipping the Bakery. We will furnish to you prototypical plans and specifications for a Magnolia Bakery, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, security, furnishings, and color scheme. It shall be your responsibility to have prepared all required construction plans and specifications to suit the shape, dimensions and utility requirements of the Franchised Location, and you must ensure that these plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You shall use only registered architects, registered engineers, and professional and licensed contractors (who are reasonably acceptable to us). At our option, you must engage our designated or approved architect.

B. Prior to submission to local authorities, you shall submit proposed construction plans, specifications and drawings for the Bakery ("**Plans**") to us and shall, upon our request, submit all revised or "as built" Plans during the course of such construction. We will approve or refuse to approve the Plans and notify you within thirty (30) days after we receive the Plans. Once we have approved the Plans, no substantial change shall be made to the Plans without our prior approval. If, in the course of construction, any such change in the Plans is contemplated, our approval must first be obtained before proceeding. We shall approve or reject Plan changes within ten (10) business days after receipt. We shall not unreasonably withhold our approval of the Plans or revisions to the Plans.

C. You are prohibited from beginning site preparation or construction prior to receiving written notification from us that we have approved the Plans, and you, we, and your general contractor have met to review the proposed construction process. You must construct the Bakery in accordance with Plans approved by us and must comply in all respects with applicable laws, ordinances and local rules and regulations. The appearance and the condition of the Bakery at the Franchised Location shall not be altered thereafter, except as may be approved in writing by us. The Bakery may not open if construction has not been performed in substantial compliance with Plans approved by us, and this Agreement may be terminated if such non-compliance is not cured within a commercially reasonable amount of time. Once

construction has commenced, it shall continue uninterrupted, except for interruption by reason of events constituting Force Majeure (as defined in Section 20) until completed.

2.7 Acquisition of Necessary Furnishings, Fixtures and Equipment

A. You agree to use in the development and operation of the Bakery only the fixtures, furnishings, décor items, supplies, equipment, and signs that we have approved for Magnolia Bakeries as meeting our specifications and standards for quality, design, appearance, function, and performance. You further agree to place or display at the interior and exterior of the Bakery only those signs, décor items, emblems, lettering, logos and display materials that we approve in writing from time to time.

B. You must purchase or lease approved brands, types or models of fixtures, furnishings, equipment, supplies and signs only from suppliers designated or approved by us, which may include us or our affiliates. If you propose to purchase, lease or otherwise use any items which have not been approved by us, you must first notify us in writing and, at your sole expense, submit to us upon our request sufficient specifications, photographs, drawings and/or other information or samples for a determination as to whether those items comply with our specifications and standards. We will, in our sole discretion, approve or reject the items and notify you within thirty (30) days after we receive the request.

2.8 Reports. If requested by us, you must submit to us, on or before the first day of each month (or more frequently if we request) a report with photographs showing progress made in connection with the construction and equipping of the Bakery.

2.9 Extensions. We may, in our sole judgment, grant you extensions on the prescribed deadlines in this Section 2. You must request from us an extension of the applicable deadline at least thirty (30) days before the deadline date. If we grant an extension on any deadline, you must pay us Three Thousand Dollars ($3,000) for each one (1) month extension. We will consider your extension request based on a variety of factors, including the diligence you have shown in developing the location. Any extension fee paid by you is fully earned by us and non-refundable when paid.

2.10 Limitation of Liability. Notwithstanding our right to approve the Plans and to inspect the construction work at the Bakery, we and our designees shall have no liability or obligation with respect to the Franchised Location, the design or construction of the Bakery or the furnishings, fixtures, equipment and signage to be acquired; our rights being exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

2.11 Business Plan. You must develop and submit to us, simultaneously with the submission of the Site Application Package, a three-year business plan ("**Business Plan**") in the format that we specify in the Manual outlining the actions that you will take to ensure that your operation and management of the Bakery are in compliance with our standards. During the term of this Agreement, you must revise the Business Plan on an annual basis as required by us and implement that Business Plan as approved by us.

3 OPENING THE BAKERY

3.1 Final Inspection and Opening Deadline

A. You must complete construction of the Bakery within one hundred eighty (180) days after the start of construction, unless we agree otherwise. The requirement to complete construction of the Bakery includes obtaining all required construction and occupancy licenses, permits and approvals, developing the Franchised Location, purchasing all required equipment and supplies, installing all required furnishings, fixtures, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the Bakery ready to open for business.

B. You shall notify us in writing at least twenty-one (21) days prior to the date you expect construction and/or renovation to be completed and a certificate of occupancy to be issued

("**Occupancy Notice**") for the Bakery. After our receipt of the Occupancy Notice, we reserve the right to conduct a final inspection of the Bakery to determine if you have complied with this Agreement in connection with the development of the Bakery including the final Plans. You must pay for all travel expenses incurred by our personnel in conducting the inspection. We shall not be liable for delays or loss occasioned by our inability to complete our investigation and to make a determination within this twenty-one (21) day period. If requested by us, you shall submit a copy of the certificate of occupancy to us.

C. You may not open the Bakery for business without our express written authorization, which will not be granted unless you have satisfied the conditions contained in Section 3.2 below. You may not open the Bakery for at least fourteen (14) days after the date that construction is completed so that your employees may be trained in the management and operation of the Bakery. You must open the Bakery before the Opening Deadline. ***Time is of the essence in the construction and opening of the Bakery, and failure to comply with all deadlines relating thereto constitutes a material breach and default of this Agreement.*** Any extensions of time are subject to our approval, which we may withhold at our discretion. You must provide a written report to us in a form specified by us detailing all construction and development costs and expenses for the Bakery within thirty (30) days after the opening of the Bakery. You acknowledge and agree that we will share these costs and expenses with other existing and prospective franchisees and developers of Magnolia Bakeries.

3.2 Opening of the Bakery. We will not authorize the opening of the Bakery unless all of the following conditions have been met:

A. You are not in material default under this Agreement or any other agreements with us; you are not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Bakery; you are not in default beyond the applicable cure period with any vendor or supplier to the Bakery; and for the previous six (6) months, you have not been in material default beyond the applicable cure period under any agreement with us;

B. We have determined that the Bakery has been constructed and/or renovated and equipped substantially in accordance with the requirements of this Agreement including the Plans;

C. You have obtained, provided copies to us, and maintain a certificate of occupancy and all required building, utility, sign, health, sanitation, business, safety or fire department certificates and other permits and licenses applicable to the Bakery;

D. You have purchased or leased and installed all specified and required fixtures, equipment, furnishings and interior and exterior signs for the Bakery;

E. You have purchased and installed the required computer and point of sale systems for the Bakery and they are operational;

F. You have purchased an opening inventory of supplies for the Bakery of only authorized and approved products and other materials and supplies;

G. Your Operations Leader (as defined in Section 5.1.A) and your Baking Production Manager (as defined in Section 5.1.B) have completed our initial training program and you have hired and trained all staff in accordance with the requirements of Section 5;

H. You have paid the Initial Franchise Fee (as defined in Section 4.1) and any other amounts then due to us;

I. You have signed this Agreement and all other agreements that we require including the bank authorizations described in Section 4.7 as required by us;

J. You have obtained and provided to us copies of certificates for all insurance policies required by Section 9 or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

3.3 Relocation. Once the Franchised Location is secured, you may not operate the Bakery at any site other than the Franchised Location and may not relocate the Bakery without first obtaining our prior written consent, which may be withheld by us in our sole discretion. The same requirements set out in Section 2.2 for an initial site will apply to any potential new site, provided that the term of this Agreement for the relocated Bakery will not be amended. If we approve a relocation of the Bakery, you must pay a relocation fee in the amount of Ten Thousand Dollars ($10,000) and sign our then-current form of Franchise Agreement. Our acceptance of a new site as the Franchised Location shall not be deemed to be a guarantee or assurance by us that the Bakery will be profitable or successful. You must open the relocated Bakery for business within one hundred eighty (180) days of closing the business at the previous location. You will bear all relocation costs and construction costs, including any costs of terminating the existing Lease or occupancy agreement. You must de-identify the former location as provided in Section 17 at your expense within the time period that we specify.

4 FEES

4.1 Initial Franchise Fee. In consideration of the Franchise rights granted in this Agreement, you must pay us a non-refundable initial franchise fee in the amount set forth on Exhibit A when you sign this Agreement ("**Initial Franchise Fee**").

4.2 Royalty Fee. You must pay us a non-refundable royalty fee for the continued use of the Franchise rights in an amount equal to six percent (6%) of the weekly Gross Revenues (as defined below) of the Bakery (the "**Royalty Fee**").

A. "**Gross Revenues**" means the aggregate amount of all revenues generated from the sale of all products and services sold and all other income of every kind related to the Bakery, whether for cash or credit (and regardless of collection in the case of credit), whether from sales at the Franchised Location, by delivery, from catering, or at wholesale (whether the sales method is permitted or not). You may not reduce Gross Revenues by the amount of any discounts provided to employees, family members and other businesses that you control. Gross Revenues do not include sales taxes or other taxes collected from customers for transmittal to the appropriate taxing authority, proceeds from the sale of gift cards or stored value cards, and customer refunds made in good faith. Because Magnolia Bakery is positioned as a premium brand, we do not permit promotional discounts or coupons, and no reduction from the full retail price will be allowed in computing Gross Revenues for the amount of promotional discounts given (including items given away for free) or redemption of promotional coupons except as may be expressly permitted in the future by us in the Manual or otherwise. Gross Revenues will not include the retail price of a reasonable amount of Menu Items given away for free to employees or charities or distributed as samples to promote the sale of Menu Items, provided you comply with our policies and procedures, including reporting requirements, specified in the Manual or otherwise.

B. We reserve the right to modify our policies consistent with food service business industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from "Gross Revenues" as circumstances, business practices, and technology change.

C. You must follow our procedures and formats specified in the Manual or otherwise for honoring, reporting and paying the Royalty Fee on the sale and redemption of gift cards and any proprietary stored value cards; for example Gross Revenues may exclude the revenue from selling or issuing the cards but include sales from selling products and services to customers using the cards.

4.3 Marketing Fund Contribution. You must make a non-refundable weekly contribution to the Marketing Fund, which is described in Section 8.3, in an amount equal to three percent (3%) of the weekly Gross Revenues of the Bakery (the "**Marketing Fund Contribution**") at the same time and in the same

manner as you pay the Royalty Fee. We have the right to increase the amount of the Marketing Fund Contribution as described in Section 8.3.B.

4.4 Technology Development Fee. You must pay us a non-refundable weekly technology development fee in the amount of One Hundred Fifty Dollars ($150) ("**Technology Development Fee**") for access to, and in consideration of our development and delivery of software programs and other technology at the same time and in the same manner as you pay the Royalty Fee.

4.5 Other Funds Due. You agree to pay us, within ten (10) days after receipt of our written request (which is accompanied by reasonable substantiating material), any monies that we have paid, or that we have become obligated to pay, on your behalf, by consent or otherwise under this Agreement.

4.6 Taxes Imposed on Us. If any taxes, fees or assessments are imposed on us by reason of our acting as franchisor or licensing the Marks under this Agreement (not including our income taxes), you must reimburse us for the amount of those taxes, fees or assessments within thirty (30) days after receipt of an invoice from us.

4.7 Sales Reports and Payment Method.

A. By no later than close of business on Monday day of each week, you must submit a complete and accurate report of Gross Revenues for the preceding week (Monday through Sunday), and such other weekly data as we may reasonably require. We reserve the right to designate a different reporting period in the Manual.

B. You must designate an account at a commercial bank of your choice (the **"Account"**) for the payment of amounts due to us and/or our affiliates, including weekly Royalty Fee, Marketing Fund Contributions and Technology Development Fees. You must furnish us and the bank with authorizations as necessary to permit us to make withdrawals from the Account by electronic funds transfer (including the ACH Authorization Form attached as Exhibit H). On Wednesday of each week or at another date specified by us from time to time ("**Due Date**") we will transfer from the Account an amount equal to the fees due from you based on the Gross Revenues of the Bakery for the preceding week) as reported to us in your remittance report or determined by us based on the records contained in the point of sale terminals of the Bakery, as well as any other fees due to us and/or our affiliates. If you have not reported Gross Revenues to us, we will transfer from the Account an amount calculated in accordance with our estimate of the Gross Revenues. If, at any time, we determine that you have underreported the Gross Revenues of the Bakery, or underpaid any amounts due to us under this Agreement or any other agreement, we shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after the parties determine that such credit is due.

C. You agree to maintain sufficient funds in the Account at all times to cover all amounts payable to us or our affiliates. If funds in the Account are insufficient to cover the amounts payable at the time we make our weekly electronic funds transfer, the amount of the shortfall will be deemed overdue. You must notify us at least ninety (90) days before closing or changing the Account against which such debits are to be made. If such Account is closed or ceases to be used, you will immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic, electronic debit (*e.g.*, by check or wire transfer) whenever we deem appropriate, and you must comply with our payment instructions. If we supply products to you, we may require pre-payment or COD depending on our then-current policies and your payment record with us.

D. Notwithstanding the provisions of this Section 4.7, we reserve the right to modify, at our option, the timing and method by which you pay amounts owed under this Agreement, including interest charges, which shall be effective upon receipt of written notice from us.

4.8 Interest and Insufficient Funds Charges. If any payment is overdue, you must pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by applicable law, whichever is less. The interest charges are in addition to any other remedies we may have. In addition to the interest charges, you must reimburse us for any bank fees incurred by us and pay us Fifty Dollars ($50) and any bank charges incurred (or the maximum amount permitted by applicable law, whichever is less) to cover our administrative expenses in responding each time you make a payment to us which does not clear your Account due to insufficient funds. If you incur three (3) or more insufficient funds charges in any twelve (12) month period, we may terminate this Agreement.

4.9 No Offset. You shall not withhold or off-set any portion of any payment due to our alleged non-performance under this Agreement or any other agreement by and between you and us or our respective affiliates.

4.10 Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Your payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and we may accept the partial payment without prejudice to any rights or remedies we may have against you. Acceptance of payments by us other than as set forth in this Agreement shall not constitute a waiver of our right to demand payment in accordance with the requirements of this Agreement or a waiver by us of any other remedies or rights available to us pursuant to this Agreement or under applicable law. Notwithstanding any designation by you, we shall have sole discretion to apply any payments by you to any of your past due indebtedness for Royalty Fees, Marketing Fund Contributions, other fees, purchases from us or our affiliates, interest or any other indebtedness. We have the right to accept payment from any other entity as payment by you. Acceptance of that payment by us will not result in that other entity being substituted for you.

4.11 Collection Costs and Expenses. You must pay to us on demand any and all collection costs and expenses (including costs and commissions due a collection agency, costs incurred in creating or replicating reports demonstrating Gross Revenues of the Bakery, reasonable attorneys' fees, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing) incurred by us in enforcing the terms of this Agreement, including in collecting any monies owed by you to us.

5 MANAGEMENT AND TRAINING

5.1 Operations Leader and Baking Production Manager

A. You must designate one individual who meets the educational and experience standards we impose in the Manual who will serve as your full-time manager (the "**Operations Leader**"). The Operations Leader will oversee the operation of the Bakery and the training of all of your employees working in the Bakery. We are authorized to communicate with you and the Operations Leader concerning all operational, promotional, and marketing aspects of the Bakery. Your Managing Owner (as defined in Section 12.5) may serve as your Operations Leader.

B. You must designate one individual who meets the educational and experience standards we impose in the Manual who will oversee the baking operation of the Bakery and serve as your full-time baking production manager with respect to the Bakery (the "**Baking Production Manager**"). The Baking Production Manager will oversee the preparation of Menu Items in accordance with our recipes, methods, and specifications, and supervise the training and performance of all of the bakers in the Bakery.

C. We must approve the Operations Leader and the Baking Production Manager and any replacement Operations Leader and Baking Production Manager in writing before the individual assumes the position. The Operations Leader and the Baking Production Manager and any replacement Operations Leader and Baking Production Manager must successfully complete our initial training program

before assuming the position. The Operations Leader and the Baking Production Manager do not have to have an equity ownership in your business entity; however, any Operations Leader and Baking Production Manager must sign our Non-disclosure Agreement in substantially the form attached to this Agreement as Exhibit F. You must designate a replacement satisfactory to us who meets the requirements contained in this Agreement and the Manual within thirty (30) days after your Operations Leader or Baking Production Manager leaves their position.

5.2 Initial Training Program (First Bakery). If the Bakery is the first Magnolia Bakery developed by you or one of your affiliates that controls, is controlled by, or is under common control with you ("**Franchisee Affiliates**"):

A. Before you open the Bakery, if your Managing Owner is not also acting as your Operations Leader, your Managing Owner must attend our New Franchisee Orientation program, which will be held at our offices in New York, New York over a two day period. Your Managing Owner also must complete online courses prior to arriving in New York. The New Franchisee Orientation program provides information about us and the Magnolia Bakery System and does not cover any training related to the day-to-day operation of a Magnolia Bakery

B. At least sixty (60) days before you open the Bakery, we will conduct our four (4) week initial training program that your Operations Leader and Bakery Production Manager must attend and complete to our satisfaction. The initial training program may include classroom training, training via an online learning management system ("**LMS**") designated by us, and programs offered by third parties. At your option, your Managing Owner or another owner approved by us may attend the initial training program. If your owner is not able to attend the entire initial training program, we will designate one (1) week during the program that the owner should attend. We may increase or reduce the required training based on our assessment of an individual's prior experience. We will certify any managerial employee of yours who successfully completes the initial training program to our satisfaction as a "**Trainer**."

C. You and we will determine the training dates for your personnel prior to opening your Bakery. The determination of training dates will be based on the projected opening date for your Bakery, the training requirements, and the availability of space in our training locations and our personnel. You acknowledge that once training dates have been established, your failure to make your personnel available for training at the designated location may result in delays in opening, additional training costs and expenses or other adverse consequences for which you will be solely responsible. All or a portion of the initial training programs are currently held in New York, New York or at another training location we select. We have the right to require that your trainees execute and deliver to us a Non-disclosure Agreement in substantially the form attached to this Agreement as Exhibit F.

D. If your Operations Leader or Baking Production Manager does not complete the initial training program to our satisfaction, the individual will have to repeat the program or portions of it until we are satisfied, or you will have to replace the individual and that replacement will have to attend and complete our initial training program to our satisfaction. We may charge our then-current per diem training fees as set forth in the Manual for missed training sessions, replacement training sessions, and to train any of your replacement personnel.

5.3 On-Site Opening Assistance (First Bakery). You must have a full staff in place and available for training at least fifteen (15) days before the Bakery opens. For the first Magnolia Bakery developed by you and your Franchisee Affiliates, we will send three (3) representatives to the Bakery to assist with the Bakery opening for up to two (2) weeks. This opening assistance will also include on-site training for your managers and staff members and additional assistance with opening marketing and management activities. If you request and we agree to provide additional on-site opening assistance for the Bakery or for additional Magnolia Bakeries that you and your Franchisee Affiliates develop, then you must pay our then-current per diem training fees as set forth in the Manual. For all on-site training and opening assistance that we provide at the Bakery, you must pay for all travel, living and other expenses incurred by our representatives.

5.4 Training by You

A. Periodically, you must conduct such training programs for your employees as we may require, including those training programs required for your employees to become certified for the position(s) for which each employee was hired. The content and administration of your training programs must be at least equal to those of our initial training program and must be approved in advance by us. We have the right to review your training programs periodically to ensure its quality and to verify that your Trainers are adequately training your personnel in a timely and satisfactory manner. We may provide training materials for use in your training programs, which may include training modules presented in manuals, books, binders, videos or other electronic media, or made available via the Internet, intranet, webinar, other form of electronic communication. You will be responsible for all costs that you incur in training your employees.

B. After opening your Bakery, your Trainers must fully train any new Bakery employees within thirty (30) days of being hired. Your Trainers also must offer the initial training program to your replacement Operations Leader, Baking Production Manager, and additional managerial staff before they assume a managerial role at the Bakery. We will evaluate all managers trained by you and determine whether to certify them as Trainers.

C. If you and your Franchisee Affiliates already operate another Magnolia Bakery, before opening the Bakery, your Operations Leader and Baking Production Manager for the Bakery must attend and complete the initial training program that your Trainers conduct at one of your existing Magnolia Bakeries. Once they are certified as Trainers by successfully completing your initial training program, the Bakery's Operations Leader and Baking Production Manager must fully train the managers and staff of the Bakery and conduct the opening training program for the Bakery's staff. We will authorize you to open the Bakery only after your Trainers have trained an adequate number of your employees, as determined by us in our sole discretion, who have attended and received certification in the position for which they were hired. If you request and we agree to provide on-site training and opening assistance for the Bakery, then you must pay our then-current per diem training fees as set forth in the Manual. For all on-site training and opening assistance that we provide at the Bakery, you must pay for all travel, living and other expenses incurred by our representatives.

D. We may periodically visit your Bakery to ensure that your managers and staff continue to meet our standards. We have the right to de-certify any of your personnel (including your Operations Leader and Baking Production Manager) who consistently fail to maintain our System standards as set forth in the Manual. Any such employees may not return to their positions at the Bakery until they have been successfully retrained. If we determine, in our sole discretion, that your Trainers are no longer qualified to train your employees (or if you do not have a Trainer on staff), then you, at our election, must either have your Operations Leader and Baking Production Manager attend and successfully complete the initial training program and be re-certified as Trainers or designate replacement personnel to complete the initial training program and be certified as Trainers and you must pay our then-current per diem training fees. If we elect to send our representative to your Bakery to provide training for your staff, you must pay our then-current per diem training fees and all travel, living and other expenses incurred by our representatives.

5.5 Additional Training. After the Bakery opens for business:

A. Your Managing Owner, Operations Leader, Bakery Production Manager and Trainers must attend and complete, to our satisfaction, any additional training programs that we reasonably require from time to time. These additional training programs may include classroom training, training via the LMS and programs offered by third parties. We may require you to pay reasonable training fees for these programs (plus travel, living and other expenses for our representatives, if we conduct the training at your Bakery and the travel, living and other expenses of your representatives who attend these programs outside the Bakery). You must pay all applicable software license fees for the LMS or any replacement program that we designate. Your Managing Owner, Operations Leader, Bakery Production Manager and Trainers may be required to attend our annual franchise conference as required from time to time. You are

responsible for paying any registration fee for the conference of up to One Thousand Five Hundred Dollars ($1,500) per person and the costs of travel, living and other expenses for the conference.

B. We periodically, as we deem appropriate, will advise and consult with you in connection with the operation of the Bakery. We may provide these services through visits by our representatives to the Bakery or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. We will periodically inspect the Bakery and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the Bakery for which you will be required to pay our per diem training fees and charges that we may establish from time to time plus our travel, living and other expenses for our representatives.

5.6 Delegation. We have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to our designees, whether affiliates or agents of ours or independent contractors with whom we have contracted to provide the service.

5.7 Control by Us. Notwithstanding anything to the contrary in this Section 5, you and we recognize and agree that we do not exercise any day-to-day control of the Bakery, including control of the security at the Bakery, the hiring and firing of employees, or other forms of day-to-day control.

5.8 Training Methods; Expenses. Except for the classroom and on-the-job training portions of the initial training program, we have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine. All training that we conduct in person will be held at a location that we designate. You are responsible for all expenses of your trainees, including the costs of transportation, lodging, meals, and wages and all applicable software license fees for the LMS. You may also be required to purchase training materials and uniforms.

5.9 Our Travel, Living and Other Expenses. For all on-site training and assistance that we provide at the Bakery, you must pay for all travel, living and other expenses incurred by our representatives.

6 MANUAL

6.1 Access to the Manual. We will provide you with electronic access during the term of this Agreement to the Manual, which contains information and knowledge that is unique, necessary and material to the System. The Manual contains detailed standards, specifications, instructions, requirements, methods and procedures for management and operation of Magnolia Bakeries. The Manual also may relate to: (1) the selection, purchase, storage, preparation, packaging, ingredients, recipes, service and sale of all Menu Items, beverages and Merchandise sold at the Bakery; (2) management and employee training; (3) marketing, advertising, and sales promotions; (4) maintenance and repair of the Bakery facility, grounds, equipment, graphics, signs, interior and exterior decor items, fixtures, and furnishings; (5) employee dress attire and appearance standards; (6) menu concept and graphics; and (7) accounting, bookkeeping, records retention and other business systems, procedures and operations. You agree at all times to operate the Bakery in strict conformity with the Manual; to maintain the Manual at the Bakery; to not reproduce the Manual or any part of it; to treat the Manual as confidential and proprietary; and to disclose the contents of the Manual only to your employees who have demonstrated a need to know the information contained in the Manual.

6.2 Modifications to the Manual. We may supplement or amend the Manual from time to time by letter, electronic mail, bulletins, videos, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a Magnolia Bakery. We reserve the right to furnish all or part of the Manual to you in an electronic format or online (including by intranet or extranet) and to establish terms of use for electronic access to the Manual. You agree to keep your copy of the Manual current and up-to-date with all additions and deletions provided by or on behalf of us and you agree to purchase whatever equipment and related services (including a computer system, Internet service, dedicated phone line, facsimile machine, etc.) as may be

necessary to receive these communications. If a dispute relating to the contents of the Manual develops, the master copy maintained by us at our principal offices shall control.

6.3 Electronic Access. At our option, we may post some or all of the Manual on a restricted website to which you will have access. If we do so, you agree to monitor and access the website for any updates to the Manual. Prior to accessing our restricted website you and any of your employees must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manual constitute confidential information owned by us.

7 OPERATION OF THE BAKERY

7.1 Compliance with System Standards. In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Bakery in strict conformance with the methods, standards, and specifications we prescribe from time to time in the Manual or otherwise in writing. You acknowledge that the System standards may relate to any aspect of the appearance, function, cleanliness, and operation of the Bakery. Any material failure to comply with the mandatory System standards or to pass our periodic quality control inspections will constitute a material breach of this Agreement. We, in our sole discretion, may from time to time change or modify any or all of the components of the System. You shall accept and use or display in the Bakery any such changes or modifications in the System or its components as if they were a part of the System at the time this Agreement was executed, and you shall make such expenditures as the changes or modifications may reasonably require.

7.2 Innovations. All products, Menu Items, Merchandise, services, concepts, methods, techniques, and/or new information relevant to your operation of the Bakery, whether or not constituting protectable intellectual property, that you or your employees create, or that are created on your behalf, (together, "**Innovations**") must be promptly disclosed to us. You may not use any Innovations in the Bakery until such Innovations have been approved by us in writing. All such Innovations will be deemed to be our sole and exclusive property and works made-for-hire for us. You and each of your owners shall: (1) sign the assignment and/or other documents we request in order to implement this clause in order to evidence our ownership; (2) cause your employees and contractors to sign such assignment documents as we may request for this purpose; and (3) assist us in securing intellectual property rights in such Innovations.

7.3 Approved Products and Services. You must offer for sale in the Bakery all Menu Items, Merchandise, products and services that we designate as required items in the Manual or otherwise. You may not offer or sell any unapproved products or services without our prior written consent. You must sell products only in the weights, sizes, forms, and packaging that we have approved. You must discontinue selling or offering for sale any products or services which we, in our sole discretion, disapprove in writing at any time. Within thirty (30) days after receipt of written notice from us, you must begin selling any newly authorized Menu Items and cease selling any Menu Items that are no longer authorized. We, in our sole discretion, may restrict sales of Menu Items to certain time periods during the day. We have the right to require you to use only certain brands and to prohibit you from using other brands. We may from time to time modify the list of approved brands and you shall not reorder any brand that is no longer approved.

7.4 Sourcing of Products and Services.

A. You agree that the Bakery will: (1) purchase those food products developed by us pursuant to a special recipe or formula only from us, one of our affiliates, or a third party designated and licensed by us to prepare and sell such products; and (2) purchase from suppliers approved by us all other goods, food and beverage products, ingredients, mixes, materials and supplies used in the preparation of products, as well as advertising materials, furniture, fixtures, equipment, smallwares, packaging, Merchandise or other materials that meet the standards and specifications promulgated by us from time to time. We may establish commissaries and distribution facilities owned and operated by us or our affiliates that we designate as a designated and/or approved supplier. We have the right to require that you use only certain brands and to prohibit you from using other brands. We may from time to time modify the list of approved brands and designated and/or approved suppliers, and you shall not, after receipt of such

modification in writing, reorder any brand that is no longer approved or order from any supplier that is no longer approved.

B. You acknowledge and agree that we may designate certain products as proprietary items that we may specify for sale at Magnolia Bakeries that are manufactured in accordance with our secret blends, standards, and specifications, and are proprietary to us and/or our affiliates ("**Proprietary Items**"). To maintain the high standards of quality, taste, and uniformity associated with any Proprietary Items sold under the System, you agree to buy Proprietary Items only from a designated supplier, and not to offer or sell any items that are similar to (but not the same as) Proprietary Items at or from the Bakery.

C. If you wish to use any goods or materials (that you are not required to purchase from us, one of our affiliates or a designated supplier) that we have not yet evaluated or if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit to us a written request for approval. You cannot purchase or lease any such item unless we have approved the supplier in writing. We are not required to approve any particular supplier. We will have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to send our representatives to inspect the supplier's facilities and to have samples from the supplier be delivered to us or to an independent laboratory designated by us for testing. You or the proposed supplier may be required to pay for the cost of the inspection and of the test (including our administrative expenses including travel). We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We reserve the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke our approval of the supplier if the supplier fails to continue to meet any of our criteria. If we revoke our approval of any supplier, you agree to promptly discontinue use of that supplier.

D. You must promptly pay when due all trade and supplier accounts. You authorize the release of all supplier records to us without notice to you. You grant to us the right to communicate with your suppliers without providing notice to you, and to obtain and examine all records of any supplier relating to your purchases from the supplier.

7.5 Rebates. We and our affiliates may negotiate purchasing arrangements under which suppliers agree to make services, products, equipment, materials and other goods and services available to Magnolia Bakeries. Subject to applicable law, we and our affiliates may earn money from the suppliers based on your purchases in the form of rebates, commissions, or other payments. You acknowledge that these payments compensate us and our affiliates for the cost of negotiating and maintaining the purchasing arrangements with the suppliers and that, subject to applicable law, we have no obligation to remit the funds to you.

7.6 Catering and Other Off-Premises Programs. We have the right (but no obligation) to establish delivery, catering, third-party delivery, and/or wholesaling programs (**"Off-Premises Programs"**) either on our own or in conjunction with one or more outside vendors. Off-Premises Programs may be mandatory or optional for franchisees and may include online and telephone ordering systems. If we establish a mandatory Off-Premises Program or you choose to participate in a voluntary program, you agree to pay the fees and costs associated with participating and to comply with all other rules and procedures that we specify for the program in the Manual or otherwise in writing. You acknowledge that you will have to purchase equipment, including a delivery vehicle, in order to participate in an Off-Premises Program. We may define designated service areas for Off-Premises Programs. We can modify or terminate an Off-Premises Program by notice to the participating Magnolia Bakeries.

7.7 Temporary Locations. Notwithstanding anything to the contrary in this Agreement, provided that you are in compliance with this Agreement, you will have the right, with our prior written consent, to sell Menu Items and related beverages and Merchandise under the Marks at temporary sales distribution locations, including at "pop-up" events and a "store-within-a-store" (a "**Temporary Location**"). A Temporary Location shall operate for such period of time as we approve from time to time, but, in the

absence of approval for a longer period will be no longer than two (2) weeks at a time. A Temporary Location shall be subject to our standards and procedures as provided in the Manual or otherwise, including but not limited to delivery, insurance, appearance, signage requirements, submission and required approval of a Site Application Package and manner and format of reporting sales. A Temporary Location must be associated with and will be considered to be a satellite location of your Bakery. Gross Revenue of the Temporary Location must be tracked and recorded separately but must also be included with the Gross Revenue of the Bakery for purposes of reporting and payment of the Royalty Fee and Marketing Fund Contribution. If your right to operate the Bakery under this Agreement terminates or expires, your right to operate any Temporary Location will terminate or expire at the same time unless we agree in our sole discretion to re-assign the Temporary Location to a different Magnolia Bakery operated by you or your Franchisee Affiliates. If, notwithstanding the intended temporary nature of Temporary Location, a particular Temporary Location operates continuously for twelve (12) months or a cumulative eighteen (18) months within any twenty-four (24) month period, the Temporary Location shall be reclassified as a Bakery for all purposes and you must sign a new Franchise Agreement and pay an Initial Franchise Fee for the Temporary Location.

7.8 No Other Sales Channels. You may not engage in any grey marketing activities where you take advantage of purchasing arrangements for Magnolia Bakeries and transfer products to any other food service businesses or other business not operating under the System. Unless expressly authorized by us, you may not sell products or services through any channel or facility (other than to retail customers for consumption on the Bakery premises, or for personal carry-out consumption), including any Off-Premises Programs, food trucks, carts, kiosks, or Temporary Locations. If we approve any one or more activities, we will not be deemed to have given our approval or waived our right to approve or disapprove any other activities that you may later propose. We will consider the factors that we deem appropriate, which may include the period of time you have been operating the Bakery, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine are applicable.

7.9 Use of Franchised Location; Hours of Operation. You must use the Franchised Location solely for the operation of the Bakery, must keep the Bakery open and in normal operation for the minimum hours and days specified in the Manual and as permitted by applicable laws, and must refrain from using or permitting the use of the Franchised Location for any other purpose or activity at any time without first obtaining our written consent.

7.10 Furnishings and Equipment. You must acquire and install in the Bakery at your expense, such fixtures, furnishings, equipment, décor, and signs as we may reasonably direct from time to time. You must not install or permit to be installed on or about the Franchised Location, without our prior written consent, any fixtures, furnishings, equipment, décor, signs, or other items not previously approved by us.

7.11 Menu Boards and Formats. We have the right to prescribe, and subsequently vary, one or more menu boards and formats to be utilized in the Bakery including digital menu boards. Our required menu boards and formats may include requirements concerning organization, graphics, product descriptions, illustrations and other matters related to the Menu Items.

7.12 Condition of Franchised Location. You must constantly maintain the Franchised Location and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, the building interior and exterior, interior and exterior lighting, landscaping and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. At your own expense, you must make such additions, alterations, repairs, and replacements as may be required for that purpose (but no others without our prior written consent). Upon our request, you must provide us with copies of any inspection report conducted by a third party. You may not make any material alterations to the Bakery that affect operations or the image of the System without our prior written approval. You acknowledge and agree that the requirements of this paragraph are both reasonable and necessary to ensure continued public acceptance and patronage of Magnolia Bakeries, to assist the Bakery to compete effectively in the marketplace and to avoid deterioration or obsolescence of the operation of the Bakery.

7.13 Access for Inspections. You must permit us and our agents to enter the Bakery at any time during normal business hours to conduct inspections and to interview employees and customers. You must cooperate with such inspections by rendering such assistance as our representatives may reasonably request. Upon notice from us or our agents, you must immediately take such steps as may be necessary to correct any deficiencies noted during any such inspection. If we give you notice of any deficiency detected during an inspection or any on-site visit for any reason, you will diligently correct the deficiency as soon as possible. If you fail to correct the deficiency within seven (7) days or sooner if required by law or otherwise in this Agreement, or in the case of any correction which you cannot reasonably make within seven (7) days, if you fail to begin corrective action within five (5) days and then diligently complete the correction, we will have the right, but not the obligation, to correct the deficiency and you must reimburse us for all costs we incurred, including a per diem fee for the time of any of our employees, representatives, or agents, travel costs, and the cost of any materials.

7.14 Quality Assurance Program. You must comply fully with our quality assurance program. The program may include, among other things, inspections of the Bakery, customer satisfaction surveys, mystery shopper reports, employee satisfaction and perception surveys, health and safety reviews, product and ingredient testing, and observation of food preparation areas and processes. You must pay any out-of-pocket costs that we incur to third parties to carry out quality assurance program activities at your Bakery. At our election, we may require you to pay any such third parties directly. If you fail to achieve the minimum score prescribed in the Manual for a specific quality assurance category, we may require you and/or your employees to complete additional training at the Bakery or a location that we designate, at your expense. At a minimum, you must pay for third-party food safety audits at least four (4) times a year.

7.15 Compliance with Laws and Taxes

A. You must operate the Bakery in full compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances. You have sole responsibility for compliance despite any information or advice that we may provide.

B. You, on behalf of yourself and your owners, agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you, on behalf of yourself and your owners, certify, represent, and warrant that none of your respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of your owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

C. You must promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness incurred in the operation of the Bakery. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Bakery.

D. You must immediately notify us in writing of the 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 that may adversely affect the operation or financial condition of the Bakery.

E. In the operation of the Bakery, you may not discriminate against any person on the ground of race, color, national origin, disability, age, sexual orientation, gender identity, or religion and you must comply with our anti-discrimination policies as set forth in the Manual.

7.16 Health and Safety Standards. You must meet and maintain the highest health and safety standards and ratings applicable to the operation of the Bakery. You must notify us by telephone within twenty-four (24) hours, and confirm in writing within two (2) days, after receiving notice of any investigation or violation concerning any zoning, health, narcotics laws, or fire department laws and regulations. You must participate our mandatory sanitation and food safety program relating to the Bakery (including periodic inspections and evaluations of the Bakery) in accordance with such rules, terms, and conditions as we deem advisable and as set forth in the Manual.

7.17 Control During Crisis Situation

A. If an event occurs at the Bakery that has or reasonably may cause harm or injury to customers, guests or employees (*i.e.*, food spoilage/poisoning, food tampering/sabotage, slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Marks, the System or our reputation (collectively a "**Crisis Situation**"), you shall: (1) immediately contact appropriate emergency care providers to assist you in curing the harm or injury; and (2) immediately inform us by telephone of the Crisis Situation. You must refrain from making any internal or external announcements (*i.e.*, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by us or public health officials).

B. To the extent we deem appropriate, in our sole and absolute discretion, we or our designee may control the manner in which the Crisis Situation is handled, including conducting all communication with the news media, providing care for injured persons and/or requiring you to temporarily close the Bakery. The parties acknowledge that, in directing the management of any Crisis Situation, we or our designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms and those other professionals as we deem appropriate. You and your employees shall cooperate fully with us or our designee in our efforts and activities in this regard and shall be bound by all further Crisis Situation procedures developed by us from to time hereafter. The indemnification under Section 18.2 shall include all losses and expenses that may result from the exercise by us or our designee of our handling of a Crisis Situation.

7.18 Customer Complaints. You must follow our policies in the Manual for accepting and handling customer complaints, which may include a requirement that you post information regarding a centralized complaint center for the System at the Bakery or on customer receipts. You must immediately resolve any customer complaints regarding the quality of the Menu Items or beverages, service and/or cleanliness of the Bakery, or any similar complaints. When any customer complaints cannot be immediately resolved, you must use reasonable efforts to resolve the customer complaints as soon as practical and shall, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our actual costs and expenses in resolving the complaints, which amount you must pay to us immediately on demand.

7.19 Staffing

A. You agree to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including specified positions and minimum staffing levels that we may establish from time to time in the Manual. The positions and/or functions for which you will be required to maintain staff for your Bakery include the Operations Leader, Bakery Production Manager, manager(s), and employees, all of whom must be trained in compliance with Section 5 above.

B. You have sole responsibility for all employment decisions and functions of the Bakery, including those related to hiring, firing, training, wage and hour requirements, recordkeeping, supervision, and discipline of employees, despite any information or advice we may provide. You must maintain a competent, conscientious, trained staff with enough workers to operate the Bakery in conformance with our standards. You must take such steps as are necessary to ensure that your

employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as we may establish from time to time in the Manual.

C. You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including any required licenses. You agree to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code and cleanliness and sanitation standards as we may prescribe in the Manual, or as may be required under applicable law.

D. You and your staff must, at all times, cooperate with us and with our representatives. We will have the ongoing right to approve or disapprove of the service of individuals in your Bakery as to the role that they play in your business if their continued performance would negatively affect the System and our brand. If we disapprove of such an individual, you agree to remove him/her from their current role (but you understand and agree that our disapproval of him/her in that role is not meant to, and should not be construed as, any instruction or demand on our part that the individual should be dismissed as an employee).

E. To promote a consistent image, you agree that you and your employees will comply with such dress code or standards as we may require, which may include use of branded (or other "uniform") apparel, and otherwise identify themselves with the Marks at all times in the manner we specify (whether in the Manual or otherwise in writing) while working for or at the Bakery. We may also require that you and your employees comply with personal appearance standards (including dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays, etc.). You agree to buy any uniforms we may require only from approved suppliers.

7.20 Numbers and Listings. You must obtain a new telephone number and telephone and on-line directory listings at your expense under the trademark or trade name that we designate or approve (*e.g.* "Magnolia Bakery") and not under your corporate, partnership, or individual name, to be used exclusively in connection with your operation of the Bakery. Upon the expiration, transfer or termination of this Agreement for any reason, you shall terminate your use of such numbers and listings and assign the numbers and listings to us or our designee, at our option. You must sign the Conditional Assignment and Power of Attorney – Telephone and On-Line Numbers and Listings attached as Exhibit D to this Agreement. You must ensure that the telephone at the Bakery is answered in the manner that we specify in the Manual.

7.21 Technology

A. You must acquire and install in the Bakery, at your own expense, the point of sale (POS) system, back office computer, and other computer equipment, communications devices, audio/visual equipment and software systems that we specify in writing from time to time. You must: (1) maintain an electronic connection between your systems and our systems and provide us with all user IDs and passwords necessary for us to independently access files and other information stored on your systems; (2) use the systems in accordance with all policies and operational procedures we issue from time to time; (3) transmit data to us at the times we specify; (4) maintain your systems in good working order at all times; (5) promptly install upgrades, additions, changes, modifications, substitutions and/or replacements of hardware, software, data connectivity, electrical power, and other computer-related facilities as we direct; (6) ensure that your employees are adequately trained in the use of such systems and our related policies and procedures; and (7) implement at all times appropriate physical and electronic security as is necessary to secure your computer system and to comply any standards and policies that we may issue (without obligation to do so) in this regard. You must not install any software to your systems that we have not authorized, including anti-virus software and firewalls. You must bear all costs of installation, operation, maintenance and upgrade of your systems. We reserve the right to require you to engage us or a hardware maintenance and/or help desk support provider approved by us to maintain your computer and point of sale systems.

B. We have the right, but not the obligation, to develop or have developed for us, or to designate, software programs that you must use in connection with your computer and POS systems.

You must install all such software, including any updates, supplements, modifications, or enhancements that we require. We and our suppliers may charge a reasonable software license fee for any software that you are required to use. You agree to pay for all software license and subscription fees for all software required by us and shall reimburse us for any such fees that we incur on your behalf. Each party to this Agreement acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section 7.21 for that purpose.

7.22 Credit Cards and/or Debit Cards. You must honor all credit, charge, courtesy or cash cards or other credit devices that we specify. You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS) as those standards may be revised by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org) or successor organization designated by us. Among other things, you agree to implement the security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance on reasonable request, which may include having an independent third party conduct a PCI/DSS audit.

7.23 Electronic Money Programs and Loyalty Programs. You must participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile ordering systems, and other electronic money programs as we may prescribe from time to time. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Bakeries based on customer purchases and redemption of stored value. You must also participate in any "frequent guest" or customer loyalty programs that we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Bakery without our prior written approval.

7.24 E-Commerce Programs. In order to address customer desires and expectations, you will participate in and abide by, at your cost, any e-commerce program for advance orders we designate for Magnolia Bakeries, including serving as a retail support center or in another capacity for our e-commerce distribution activities. We and our affiliates and the designated vendor may require that you adopt and/or sign and abide by any and all agreements governing your participation in the e-commerce program, acquire any associated equipment and software, and pay associated transaction charges and service fees as may be requested or required to enable you to participate in the program.

7.25 Pricing Activities. You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the products and services (subject to applicable law) offered and sold at the Bakery under this Agreement. With respect to the sale of all such products and services, you will have sole discretion as to the prices to be charged to customers; provided, however, that we will have the right to set maximum or minimum prices on such items (subject to applicable law), to promote inter-brand competition. If we impose a maximum price on a particular item, then (subject to applicable law) you may charge any price for that item, up to and including the maximum price we have set. If we impose a minimum price on a particular item, then you may charge any price for that item (subject to applicable law), down to and including the minimum price that we have set.

7.26 Compliance with Lease. If you occupy the Franchised Location under a lease, you must comply with all terms of the lease or sublease for the Franchised Location and all other agreements affecting the operation of the Bakery. You must undertake best efforts to maintain a good working relationship with your landlord and must refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease for, the Franchised Location.

7.27 Franchisee Advisory Committee. We reserve the right to create a franchisee advisory committee ("**FAC**"). You will be required to participate in any communication programs developed by the FAC. You must participate, at your sole cost, in the FAC if you or one of your owners or employees is

elected or appointed as a committee member. You may be required to pay a fee for, or contribute to, the FAC in an amount determined by the FAC.

7.28 Major Renovation of Bakery. You must make extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Bakery to the image of the System for new Magnolia Bakeries at our request (but not more often than once every seven (7) years of operation). The cost of the required remodel will not exceed Two Hundred Fifty Thousand Dollars ($250,000) every seven (7) years of operation. Within thirty (30) days after receipt of our written notice regarding the required remodel, you must prepare and complete drawings and plans for the required remodel. These drawings and plans must be submitted to us, and their use approved by us, prior to the commencement of work. You must complete the required remodel within ninety (90) days after receipt of our written notice.

7.29 Variances. We have the right, in our sole discretion, to waive, defer or permit variations from the standards of the System or any applicable agreement for any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. We have the right, in our sole discretion, to deny any such request we believe would not be in the best interests of the System.

8 MARKETING

8.1 Marketing Programs. You acknowledge the value of and the need to develop, enhance, and promote the System and the Marks. You also acknowledge the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System and the Marks. This Section 8 describes our marketing, public relations and advertising programs, our right to modify these programs, and the manner in which the marketing and advertising funds are used from time to time.

8.2 Grand Opening Marketing. You must spend at least Twenty Thousand Dollars ($20,000) to conduct a grand opening marketing plan for the Bakery. We will provide you with a marketing plan and approved marketing materials to utilize. You must keep detailed records of all expenditures. At our request, you must submit appropriate documentation to verify full compliance with your expenditure obligation. While you are conducting your grand opening marketing plan, you also must contribute to the Marketing Fund as described in Section 8.3 below and make Local Marketing expenditures pursuant to Section 8.4 below.

8.3 Marketing Fund

A. We have established a Marketing Fund for the enhancement, promotion and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials as we deem appropriate. We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the Marketing Fund, with final discretion over the strategic direction, creative concepts, materials and endorsements used and the geographic, market and media placement and allocation. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Marketing Fund.

B. You must contribute three percent (3%) of the Gross Revenues of the Bakery to the Marketing Fund. We may increase your Marketing Fund Contribution by up to one percent (1%) (to a maximum of four percent (4%) of Gross Revenues) upon ninety (90) days' notice. The Marketing Fund Contribution will be payable at the same time and in the same manner as your payment of the Royalty Fee. From time to time, we or our suppliers may deposit into the Marketing Fund any rebates or similar allowances paid to us by our suppliers although we have no obligation to do so. Magnolia Bakeries operated by us and our affiliates have no obligation to contribute to the Marketing Fund.

C. Among the programs, concepts, and expenditures for which we may utilize the Marketing Fund monies are: (1) creative development and production of print ads, commercials, radio

spots, point of purchase materials, direct mail pieces, brochures, logo wear, labeling, video, audio, and written materials and electronic media, and other advertising and promotional materials; (2) media placement and buying, including all associated expenses and fees; (3) administering regional and multi-regional marketing and advertising programs; (4) market research and customer satisfaction surveys, including the use of secret shoppers; (5) the creative development of, and actual production associated with, premium items, giveaways, promotions, sweepstakes, contests, public relation events, and charitable or nonprofit events; (6) creative development of signage, posters, and individual Magnolia Bakery décor items including wall graphics; (7) recognition and awards events and programs including periodic national and regional conventions and meetings; (8) design, establishment, and maintenance of websites, extranets, intranets, search rankings, social media profiles, mobile application and other digital marketing; (9) retention and payment of personalities engaged as spokespersons, advertising and promotional agencies, endorsement contracts, and other outside advisors including retainer and management fees; (10) sponsorship of sporting, charitable, or similar events; (11) review of locally produced marketing materials; (12) list acquisition and development; and (13) public relations and community involvement activities and programs.

D. The Marketing Fund may be used to pay reasonable salaries and expenses of our and our affiliates' employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the Marketing Fund and professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the Marketing Fund (including accounting fees, legal fees, and interest on monies borrowed by the Marketing Fund). We will not use the Marketing Fund for anything whose sole purpose is the marketing of franchises, however, the System website, public relations activities, community involvement activities and other activities supported by the Marketing Fund may contain information about franchising opportunities. We may seek the advice of Magnolia Bakery franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Marketing Fund.

E. You acknowledge that the Marketing Fund and any earnings thereon will be used to maximize general public recognition, acceptance, and patronage of Magnolia Bakeries, and that we are not obligated, in administering the Marketing Fund, to make expenditures for you which are equivalent or proportional to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Marketing Fund. The failure (whether with or without our permission) of any other franchisee to make the appropriate amount of contributions to the Marketing Fund will not release you from or reduce your obligation.

F. Nothing in this Agreement will be construed to create a trust or fiduciary relationship of any kind or nature whatsoever among the parties as it relates to the Marketing Fund or our actions with respect thereto, including collection of payments, maintenance of the bank account, bookkeeping, and disbursement of monies from the Marketing Fund. Except as expressly provided in this Section 8, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Marketing Fund. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses within ninety (90) days after our fiscal year end and will provide a copy of the statement to all franchisees. We retain the final authority on all programs financed by the Marketing Fund. We have the right to change or dissolve the Marketing Fund at any time. If we disband the Marketing Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to contributors in proportion to their respective Marketing Fund Contributions during the preceding twelve (12) month period.

8.4 Local Marketing

A. You must develop, on an annual basis, a Marketing Plan (which may be included with your Business Plan) that we have approved for your Bakery. You must comply with all requirements regarding the Marketing Plan, including the use of approved advertising and marketing materials, placement

and purchase of advertising and marketing materials and media, search engine optimization activities, and compliance with all promotional recommendations. You must spend for advertising and marketing in your market area (**"Local Marketing"**) at least one percent (1%) of the Gross Revenues of the Bakery. Within thirty (30) days after the end of each quarter, you agree to send to us, in the manner we prescribe, an accounting of your Local Marketing expenditures during the preceding quarter. If you fail to spend the required amount on an annual basis, then we may require you to spend on Local Marketing or contribute to the Marketing Fund any amounts that you should have expended to reach the Local Marketing expenditure requirement within thirty (30) days after the close of our fiscal year.

B. Local Marketing expenditures include the following pre-approved expenditures: (1) amounts spent by you for advertising media, such as digital, print, radio, television and outdoor, banners, posters, direct mail, grassroots premiums, event invites, and, if not provided by us at our cost, the cost of producing approved materials necessary to participate in these media; and (2) local marketing and public relations agency fees. Local Marketing expenditures do not include amounts spent for items, in our reasonable judgment, deemed inappropriate for meeting the minimum advertising requirement, including permanent on-premises signage, menu boards, menus, occasion signage, directory listings, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), and product costs associated with promotional offers and employee incentive programs. We or our affiliates may design and make available to you advertising, marketing, public relations, and charitable giving plans and materials, including templates, signs, stationery, business cards, press releases and other items which we or our affiliates may sell to you at a reasonable price, including a reasonable markup. All Local Marketing materials must be approved by us pursuant to Section 8.6 below.

8.5 Joint Marketing Programs and Cooperatives. We have the right at any time and from time to time to establish, and thereafter modify (1) co-marketing programs in which we and our franchisees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple Magnolia Bakeries can contribute to a specific advertising campaign or event; and/or (3) local or regional marketing cooperatives (**"Cooperatives"**) that pool funds of Magnolia Bakeries on an ongoing basis to jointly promote the Marks and the Magnolia Bakeries of the Cooperative members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

A. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your Bakery at the time the Bakery opens for business, you must join the Cooperative. If a Cooperative applicable to the Bakery is established during the Initial Term, you must become a member and begin contributing no later than thirty (30) days after we authorize the Cooperative to begin operation. You will not have to contribute to more than one Cooperative for the same Bakery at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Magnolia Bakery owned by us or our affiliates.

B. Each Cooperative will be organized for the exclusive purpose of developing, administering and executing advertising programs for the members of the Cooperative. Each Cooperative will adopt a Cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. If the members of the Cooperative do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative, and you and the other members agree to implement any such change promptly after notice from us. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior written consent. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval pursuant to Section 8.6 below. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, the books, records, and accounts of any Cooperative. We will also have the right, at any time, to have an independent audit made of the books of any Cooperative.

C. You and each other member of the Cooperative must contribute weekly to the Cooperative up to fifty percent (50%) of your Local Marketing requirement (unless a majority of the Cooperative votes to increase that amount), which amount will result in a corresponding reduction in your Local Marketing requirement.

D. We may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative and/or from the obligation to contribute (including a reduction, deferral, or waiver of the contribution), upon written request of the franchisee stating reasons which we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If an exemption is granted to a franchisee, the franchisee will be required to spend on Local Marketing the amount the franchisee otherwise would have been required to contribute to the Cooperative.

8.6 Approval Requirement. All of your advertising, marketing, public relations, and charitable giving activities by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. All charitable giving and sponsorships will be for causes and to organizations chosen by you but subject to our prior approval and in accordance with our standards and specifications as provided in the Manual or otherwise, which include rules requiring donations to religious institutions and causes to be non-discriminatory and prohibiting donations to political parties, candidates, or political causes. You and your owners and management employees may need to obtain training in certain skills, including public speaking and media interviews. We and our affiliates may offer this training to you for a reasonable fee and reimbursement of our expenses. You or the Cooperative must submit written samples of all proposed advertising and promotional plans and materials to us for our approval at least thirty (30) days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last twelve (12) months. Proposed advertising plans or materials will be deemed to have been rejected if we have not approved them within thirty (30) days after receipt. We reserve the right to require you to discontinue the use of any advertising or marketing material that we previously approved upon notice.

8.7 Special Promotions

A. You must participate, at your expense, in product promotions, product launches and price point promotions that we establish from time to time, provided such promotions do not violate applicable law. You acknowledge that these activities may include special offer, limited time offer and other pricing promotions and that the featured price(s) may be less than your cost for the promotional item(s). You are required to obtain our prior written approval before implementing such a program that we have not mandated or provided. You shall fully participate in all programs, public relations campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new products or other marketing programs directed or approved by us) that are prescribed from time to time by us. You must conspicuously display for customers the promotional signs and materials and otherwise participate in the manner we specify. You shall be responsible for the costs of such participation, which may include a commitment by you to purchase specified quantities of inventory and supplies to support these programs. To the extent permitted by law, you will comply with any price restrictions that we promulgate from time to time.

B. We may also require you to join and participate in regional, national, or international programs designed to increase business, including multi-area customer, national customer, commercial customer, Internet, event, yellow pages, directory affinity vendor, and co-branding programs ("**Multi-Area Marketing Programs**"). Such programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to pricing restrictions to the extent permitted by law. All such programs are our proprietary trade secrets. We may designate the coverage area, method and timing of payment, and any outside agencies for any Multi-Area Marketing Programs.

8.8 Electronic Marketing and Electronic Communications.

A. We will host and maintain an independent webpage for the Bakery at an Internet address that we specify. We will provide and maintain this webpage using a standard template. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any URL, social networking platform, blog, messaging system, email account, user name, text address, mobile application, or other electronic, mobile or internet presence that uses or displays any of the Marks (or any derivative thereof) or that promotes any products or services of the Bakery. You acknowledge that the use of any electronic medium constitutes advertising and promotion subject to our approval under Section 8.6. You agree not to transmit, or cause any other party to transmit, advertisements or solicitations by broadcast media, telephone, e-mail, text message, instant message, social network, VOIP, streaming media, or other electronic media that currently exists or may exist in the future without first obtaining our written consent as to: (1) the content of the advertisements or solicitations; and (2) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of the Bakery must be in the form we prescribe. If we approve the use of an electronic medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of electronic medium, including the use of any disclaimers, warnings, and other statements that we may prescribe.

B. You shall comply with our standards for the System, as set forth in the Manual or otherwise, with regard to our authorization to use, and the use of, blogs, social networks, professional networks, live blogging tools, virtual worlds, file, audio and video sharing sites and other similar social networking media or tools that in any way reference the Marks or involve the System or the Bakery. You agree to assign to us any domain names that you obtain containing the Marks that we, in our sole discretion, request and you further agree to assign any and all domain names containing the Marks used by you in the operation and promotion of the Bakery, whether or not such activity was authorized by us, when this Agreement expires or is terminated

9 INSURANCE

9.1 Procurement of Insurance. You shall be responsible for all loss or damage arising from or related to your development and operation of the Bakery, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development or operation of, the Bakery. You must maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Bakery which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by Section 9.2 and the Manual. We, and any entity with an insurable interest designated by us, must be identified as an additional named insured in all liability policies (except workers compensation) to the extent each has an insurable interest.

9.2 Minimum Insurance Requirements. All insurance policies shall be written by an insurance company or companies satisfactory to us, in compliance with the standards, specifications, coverages and limits set forth in the Manual or otherwise provided to you in writing. We may reasonably increase the minimum required coverage and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances and such changes will be identified in the Manual. We will notify you in writing of such modifications and you agree to secure the additional coverage or higher policy limits within thirty (30) days. These policies shall include, at a minimum, the following types and levels of coverage: (1) such insurance as may be required by any lease or occupancy agreement covering the Franchised Location or any Temporary Location, including, but not limited to, course of construction insurance; (2) all-risk commercial property insurance on your owned equipment and leased equipment in amounts sufficient to prevent you from becoming a coinsurer within the terms of the policies in question, and in any event in amounts not less than eighty percent (80%) of the then insurable value thereof or One Million Dollars ($1,000,000), whichever is greater; (3) workers' compensation for your employees through workers compensation insurance or as a qualified self-insurer of workers' compensation; (4) comprehensive general liability insurance, including products liability, premises liability, and personal injury insurance at a minimum limit of liability of Two Million Dollars

($2,000,000) per occurrence and Four Million Dollars ($4,000,000) general aggregate (which extended coverage may be obtained in the form of an umbrella policy); (5) automobile liability and property damage liability insurance, including owned, non-owned, and hired vehicle coverage, with at least Five Hundred Thousand Dollars ($500,000) combined single limit and One Million Dollars ($1,000,000) general aggregate limit; and (6) such other insurance as may be required by law.

9.3 General Insurance Requirements. The following general requirements shall apply to each insurance policy that you are required to maintain under this Agreement:

A. Each insurance policy shall be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory. The applicable limits of each insurance policy shall be exhausted before any benefits (defense or indemnity) may be obtained under any other insurance (including self-insurance) providing coverage to us. The workers compensation policy shall include a waiver of subrogation in favor of us. In the event payments are required to be made under our own insurance policies or self-insurance (whether for defense or indemnity) before the applicable coverage limits for the insurance policies obtained by you are exhausted, you agree to reimburse, hold harmless, and indemnify us and our insurers for such payments;

B. No insurance policy shall contain a provision that in any way limits or reduces coverage for you in the event of a claim by us or our affiliates;

C. Each insurance policy shall extend to, and provide indemnity for, all of your obligations and liabilities to third parties and all other items for which you are required to indemnify us under this Agreement; and

D. Each insurance policy shall be written by an insurance company that has received and maintains an "A-VII" or better rating by the latest edition of Best's Insurance Rating Service.

9.4 Proof of Insurance. No later than fifteen (15) days prior to the commencement of construction and fifteen (15) days prior to the opening of the Bakery, and on each policy renewal date thereafter, you must submit to us a certificate of insurance, or other evidence of satisfactory insurance as required by this Section 9 and proof of payment therefor. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least ten (10) days' prior written notice to us. Upon request, you also shall provide copies of any policies and policy amendments and riders to us.

9.5 Communication with Insurance Carrier. We or our insurer will have the right to participate in discussions with your insurance carrier and will have the right to participate with your insurance carrier in discussions with any claimant regarding any action relating to your Bakery in which we or our insurer is named as a codefendant, and you agree to adopt our reasonable recommendations to your insurance carrier regarding the defense or settlement of any such claims.

9.6 No Representations. You acknowledge and agree that no requirement for insurance contained in this Agreement constitutes advice or a representation by us that only such policies, in such amounts, are necessary or adequate to protect you from losses in connection with the Bakery. Maintenance of this insurance, and the performance by you of your obligations under this Section 9 shall not relieve you of liability under the indemnification provisions of this Agreement.

9.7 Procurement of Insurance by Us. Should you, for any reason, fail to procure or maintain at least the insurance required by this Section 9, as revised from time to time pursuant to the Manual or otherwise in writing, we shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to you. You must reimburse us for all out-of-pocket costs incurred by us in obtaining such insurance on your behalf immediately within ten (10) days after your receipt of our invoice.

10 ACCOUNTING AND RECORDS

10.1 Books and Records. You must prepare, and must preserve for at least seven (7) years from the dates of their preparation, complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles, which may include a prescribed chart of accounts and/or use of a designated accounting program or platform. You must record all sales, sales tax, and any other charges collected on behalf of third parties in accordance with the procedures prescribed in the Manual on the point of sale system that we specify.

10.2 Reports. You must submit to us, at your expense, in the form we prescribe:

A. Within ten (10) days after the end of each month, a statement of operating performance of the Bakery including total revenue, total sales per day part, and other revenue and information as specified in the Manual;

B. Within fifteen (15) days after the end of each of your fiscal quarters, interim unaudited income statements and balance sheets;

C. Within ninety (90) days after the end of each of your fiscal years, an income statement showing the results of your operations during such fiscal year and a balance sheet as of the end of such fiscal year, both of which must be prepared in accordance with generally accepted accounting principles and reviewed by an independent certified public accountant. If, however, the foregoing income statements and balance sheets are audited by an independent certified public accountant, then you must furnish the audited income statements and balance sheets rather than the reviewed income statements and balance sheets; and

D. Within fifteen (15) days after filing, a copy of the federal tax return for the Bakery.

10.3 Extranet. We have the right (but no obligation) to establish a secure extranet or website for our Magnolia Bakery franchisees and to require you to use the extranet or website for reporting, training, or other purposes as we direct from time to time. We may charge a reasonable user fee to support the costs of establishing and maintaining the extranet or website.

10.4 Right to Examine or Audit. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, your books, records, accounts, and sales tax returns. We will also have the right, at any time, to have an independent audit made of your books. If an inspection or audit reveals that any payment to us has been understated, you must immediately pay to us the amount owed, together with applicable interest and late fees as provided in Section 4.8. If an inspection or audit reveals an understatement of the Gross Revenues of the Bakery of two percent (2%) or more, you must, in addition to the payment of all monies owed with interest, reimburse us for all costs connected with the inspection or audit (including expenses for travel, lodging and wages, and reasonable accounting and legal costs). If our examination reveals an understatement of the Gross Revenues of the Bakery for any period by two percent (2%) or more three (3) or more times during any thirty-six (36) month period, or by more than five percent (5%) on any one (1) occasion, then in addition to your obligations to pay the amounts owed as referenced above, we may immediately terminate this Agreement. The foregoing remedies are in addition to any other remedies we may have.

10.5 Data and Privacy

A. We may periodically specify in the Manual or otherwise in writing the information that you must collect and maintain on your computer and point of sale systems and you must provide to us such reports as we may reasonably request from the data so collected and maintained. You agree that all data that you collect from customers in connection with the Bakery including names, addresses, email addresses, phone numbers, birth dates, transaction data, demographic data, behavioral data, customer service history, correspondence and other data (**"Customer Data**") and all other data that you create and/or

collect in connection with the System, or in connection with your operation of your Bakery (including transaction data) is and will be owned exclusively by us. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the business franchised under this Agreement. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent with respect to such policy.

B. In connection with any use of data in the Bakery, you agree to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information ("**Privacy Laws**"). You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (1) comply with the requirements of applicable law; (2) immediately give us written notice of said conflict; and (3) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law.

10.6 Public Filings. If you are or become a publicly held entity in accordance with other provisions of this Agreement, you must send to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue within three (3) days of the filing of those reports or schedules or the issuance of those releases. If you request information from us to compile your reports, you must reimburse us for our costs and expenses in preparing such reports.

11 TRADEMARKS AND PROPRIETARY MATERIALS

11.1 Our Representations. We represent to you that we and our affiliates own (or have an appropriate license to) all right, title, and interest in and to the Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Marks.

11.2 Identification of the Bakery. You must operate, advertise, and promote the Bakery only under the Marks. In conjunction with any use of the Marks, you must identify yourself to the public as an independent franchisee operating under the authority of this Agreement.

11.3 Proprietary Materials. You acknowledge and agree that we and/or our affiliates are the owners of the Proprietary Materials and that the copyrights in the Proprietary Materials are valuable property. We authorize you to use the Proprietary Materials on the condition that you comply with all of the terms and conditions of this Section 13.3. You acknowledge and agree that we may create, acquire or obtain licenses for certain additional copyrights in various works of authorship used in connection with the operation of a Magnolia Bakery, including all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be part of the Proprietary Materials. The "**Proprietary Materials**" include the Manual, advertisements, promotional materials, labels, menus, posters, coupons, gift certificates, signs, websites, and store designs, plans and specifications. The Proprietary Materials may incorporate all or part of the Marks or other trade dress used as part of the System. You acknowledge that this Agreement does not confer any interest in the Proprietary Materials on you other than the right to use the Proprietary Materials in the operation of the Bakery in compliance with the terms of this Agreement. If you prepare any adaptation, translation or work derived from the Proprietary Materials, including advertisements, promotional materials, labels, menus, posters, or websites, whether or not such adaptation was authorized by us, you agree that such material will be our property and you hereby assign all your right, title and interest therein to us (or to a third party designated by us). You agree to execute any documents, in recordable form, which we deem necessary to reflect or perfect such ownership. You must submit any such adaptation, translation or derivative works to us for approval prior to use.

11.4 Limitations on Use. Your right to use the Marks and the Proprietary Materials is limited to the uses we authorize under this Agreement and any unauthorized use will constitute an infringement of our rights. Therefore, you agree to:

A. Use only the Marks and the Proprietary Materials that we designate and use them only in the manner we authorize;

B. Use the Marks and Proprietary Materials only for the operation of the Bakery and only at the Franchised Location or in advertising for the Bakery;

C. Operate and advertise the Bakery only under the name "MAGNOLIA BAKERY" and use all Marks without prefix or suffix;

D. Refrain from using the Marks as part of your corporate or legal name;

E. Ensure that all advertising and promotional materials, packaging, signs, decorations, websites, and other items that we may specify, bear the Marks in the form, color, size, and location we prescribe;

F. Identify yourself as the owner of the Bakery in conjunction with any use of the Marks, including on invoices, order forms, receipts, check stock, business stationery, websites, email auto-signatures, and other electronic media, as well as at such conspicuous locations on the Franchised Location as we may designate in writing;

G. Not use the Marks to incur any obligation or indebtedness on behalf of us or our affiliates;

H. Not use the Marks on any human resources materials including policies, forms, pay checks, and manuals;

I. Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and execute any documents we deem necessary to obtain protection for the Marks and the Proprietary Materials or to maintain their continued validity and enforceability;

J. Not directly or indirectly contest the validity of, or take any other action which tends to jeopardize our or our affiliates' rights to the ownership of or right to use and to license others to use the Marks or the Proprietary Materials; and

K. Ensure that the Marks and the Proprietary Materials bear the "®", "™", "℠" or © notice, respectively, as we may prescribe from time to time.

11.5 Acknowledgments. You acknowledge that:

A. The Marks and the Proprietary Materials are valid and serve to identify the System and those who are authorized to operate under the System;

B. Your use of the Marks and Proprietary Materials pursuant to this Agreement does not give you any ownership interest or other interest in the Marks or the Proprietary Materials;

C. Any and all goodwill arising from your use of the Marks and the Proprietary Materials will inure exclusively to our benefit and to the benefit of our affiliates, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System, the Marks, or the Proprietary Materials; and

D. The license granted under this Agreement to use the Marks and the Proprietary Materials is nonexclusive.

11.6 Changes to the Marks and the Proprietary Materials. We reserve the right to modify or require you to discontinue use of any of the Marks or the Proprietary Materials and/or to substitute different

service marks, trademarks or proprietary material for use in identifying the System and the businesses operating under the System. When required by us, you must promptly discontinue use of designated Marks or Proprietary Materials or implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of such modification or substitution.

11.7 Claims of Infringement. You must promptly notify us if: (1) you learn of the use of the name "Magnolia Bakery", any other Mark, or any phonetically or visually similar name or mark by another; and (2) another person claims that your use of a Mark or Proprietary Material infringes upon the rights of such other person. We or our affiliates have the right to wholly control any litigation or other proceeding with respect to any Mark and Proprietary Material, will be solely responsible for all of our attorneys' fees associated with such litigation or other proceeding, and will be entitled to all damages awarded based on infringement of any Mark or Proprietary Material. You waive the benefit of any applicable federal and local law, ordinances, and regulations granting you any enforcement rights. You will also cooperate in the prosecution or defense of any action related to the Marks and Proprietary Materials and will render any assistance we or our affiliates think is reasonably required to assist in this prosecution or defense, at our expense (except the cost of your separate counsel); however, you will bear the expense and will reimburse us and our affiliates for the costs of the action under your indemnification obligations under this Agreement if the action is due to your conduct, acts or omissions.

11.8 No Warranties; No Indemnification by Us. Except as expressly set forth in this Section 11, we make no representation or warranty about our or your rights to use the Marks and Proprietary Materials. Should our or your rights to use any Marks or Proprietary Materials in compliance with our standards and specifications in this Agreement, the Manual or otherwise, be challenged by any third party, we will provide to you written direction to either (1) discontinue the use of such Mark or Proprietary Material, or (2) continue the use of such Mark or Proprietary Material. We or our affiliates will be solely responsible for the defense (and you will tender the defense) of such matter in a manner consistent with Section 11.7. You agree that in no event will we or our affiliates be liable for, and you waive all claims you may otherwise have against us or our affiliates for consequential damages, lost profits, lost sales, loss of use or any other losses, costs, damages or expenses suffered by you regarding the Marks and Proprietary Material.

12 YOUR ORGANIZATION AND MANAGEMENT

12.1 Your Organization

A. If you are a legal entity such as a corporation, a limited liability company or a partnership, you make the following representations and warranties: (1) you are duly organized and validly existing under the laws of the state of your formation; (2) you are qualified to do business in the state or states in which the Bakery is located; (3) execution of this Agreement and the development and operation of the Bakery is permitted by your governing documents; and (4) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of Magnolia Bakeries.

B. If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any transfer to a business entity, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement.

C. You may not use any legal entity name, trade name, fictitious name, or other identifier in connection with the Bakery that we determine in our sole discretion to be misleading, inappropriate, offensive, or inconsistent with the image, reputation, or standards of the System.

12.2 Ownership Interests and Control Group. If you are a business entity, all interests in you are owned as set forth in attached Exhibit B. You must comply with Section 14 prior to any change in

ownership interests and must sign addenda to Exhibit B as changes occur in order to ensure the information contained in Exhibit B is true, accurate and complete at all times. Exhibit B also lists those persons who comprise your "**Control Group**." The parties acknowledge and agree that it is their intent that the members of the Control Group include your Managing Owner and: (1) all holders of a legal or beneficial interest of ten percent (10%) or more ("**10% Owners**") in your entity; (2) if you are a limited partnership, all 10% Owners of your general partner; and (3) all 10% Owners of a corporation or limited liability company that owns a controlling interest in your entity. In the event of any change in the Control Group or in the ownership interests of any member of the Control Group, you must sign addenda to Exhibit B to reflect the change. If you are a corporation, the Control Group shall at all times own at least fifty-one percent (51%) of your voting securities; if you are a limited liability company, the Control Group shall at all times own at least fifty-one percent (51%) of your membership interests; and if you are any other type of business entity, the Control Group shall at all times have at least a fifty-one percent (51%) interest in the operating profits and losses and hold at least fifty-one percent (51%) of your ownership interests.

12.3 Governing Documents. Upon request by us, you shall promptly deliver to us, as applicable, true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control and all amendments thereto. When any of these governing documents are modified or changed, you promptly shall provide copies to us. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on the records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Magnolia Bakery Franchise Agreement(s) to which the corporation is a party." If you are a publicly held corporation, these requirements shall apply only to the stock owned by your Control Group. If you are a limited liability company, each membership or management certificate shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Magnolia Bakery Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held, and that further assignment or transfer thereof, is subject to all restrictions imposed on assignment by this Agreement.

12.4 Guarantee of Performance

A. All members of the Control Group, your 10% Owners, and each of their spouses, if applicable, shall jointly and severally personally guarantee your payment and performance under this Agreement and personally bind themselves to the terms of this Agreement pursuant to the Guarantee and Assumption of Franchisee's Obligations ("**Guarantee**") attached as Exhibit C. Unless you are a publicly held entity, all of your officers, directors, limited liability company managers, and their spouses, if applicable, also shall jointly and severally guarantee your payment and performance under this Agreement and bind themselves to the terms of this Agreement pursuant to the Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the Guarantee. We also reserve the right to require any guarantor to provide personal financial statements to us from time to time.

B. With respect to your owners, you acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) sign the Guarantee. Accordingly, if any owner is not an individual, we shall have the right to require individuals who have only an indirect ownership interest in you to sign the Guarantee. (By way of example, if an owner is a corporation, we have the right to require individuals who have an ownership interest in that corporation to sign the Guarantee.)

12.5 Managing Owner. You must designate one of your 10% Owners as your Managing Owner who will be the person with whom we communicate and whom will have the authority to bind you with respect to all financial, operational and legal matters related to the Bakery and this Agreement. The Managing Owner may also serve as your Operations Leader and/or Multi-Unit Manager (as defined in

Section 12.6 below). You must designate a replacement approved by us within thirty (30) days after your Managing Owner ceases to qualify as the Managing Owner.

12.6 Multi-Unit Manager. If you or your Franchisee Affiliates own or control more than one (1) franchised Magnolia Bakery and your Managing Owner requests our consent to devote less than full time to supervising the operation of the Magnolia Bakeries, you must designate and retain an individual to serve as your Multi-Unit Manager. The Multi-Unit Manager shall meet all of the following qualifications:

A. The Multi-Unit Manager shall devote full time and best efforts to supervising the operation of the Bakery and the other franchised Magnolia Bakeries that you and your Franchisee Affiliates operate and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Multi-Unit Manager related to the management and operation of the franchised Magnolia Bakeries.

B. The Multi-Unit Manager shall successfully complete our initial training program for an Operations Leader and any additional training that we require. We must have approved the Multi-Unit Manager and not have later withdrawn that approval.

C. If the Multi-Unit Manager no longer qualifies as such, you shall designate another qualified person to act as Multi-Unit Manager within thirty (30) days after the date the prior Multi-Unit Manager ceases to be qualified. Your designee to become the Multi-Unit Manager must satisfy the criteria set forth in this Section 12.6 and be approved by us.

13 COVENANTS

13.1 Confidentiality

A. You acknowledge and agree that: (1) we own all right, title and interest in and to the System; (2) the System includes trade secrets and confidential and proprietary information and know-how that gives us a competitive advantage; (3) we have taken all measures appropriate to protect the trade secrets and the confidentiality of the proprietary information and know-how of the System; (4) all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; (5) you have no right to disclose any part of the System to anyone who is not your employee; (6) you will disclose to your employees only those parts of the System that an employee needs to know; (7) you will have a system in place to ensure that your employees keep confidential our trade secrets and confidential and proprietary information, and, if requested by us, you shall obtain from those of your employees designated by us an executed confidentiality and non-disclosure agreement in the form prescribed by us; (8) by entering into this Agreement, you do not acquire any ownership interest in the System; and (9) your use or duplication of the System or any part of the System in any other business, or disclosure of any part of the System to others for use or duplication in any other business, would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

B. You shall not, during the term of this Agreement or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that we or our affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

13.2 Restrictions On Competition

A. You acknowledge and agree that: (1) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and other confidential information from us and/or our affiliates regarding the development, operation, product preparation and sale, market and operations research, advertising and marketing plans and strategies, purchasing, sales and marketing methods and techniques owned by us and our affiliates; (2) the know-how regarding the System and the opportunities, associations and experience acquired by you pursuant to this Agreement are of substantial value; (3) in developing the System, we and our affiliates have made substantial investments of time, effort, and money; (4) we would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among operators of Magnolia Bakeries if franchisees were permitted to engage in the activities described in this Section 13.2 or to hold interests in the businesses described in this Section 13.2; and (5) the restrictions on your right to hold interests in, or perform services for, the businesses described in this Section 13.2 will not unduly limit your activities.

B. You covenant and agree that, except as we otherwise approve in writing, during the term of this Agreement, and for a continuous period of two (2) years following the expiration, transfer or termination of this Agreement, or the date on which all persons restricted by this Section 13.2 begin to comply with this Section 13.2, whichever is later, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

(1) Own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, either directly or indirectly, any "**Competing Business**", which is defined as any bakery, restaurant, café, or food service operation offering or featuring bakery dessert or related menu items which are the same as or similar to those offered at any Magnolia Bakery operating pursuant to the System, including banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares. During the term of this Agreement, there is no geographical limitation on this restriction. Following the expiration, transfer or termination of this Agreement, this restriction shall apply to any Competing Business located within a six (6) mile radius of the Franchised Location and any Competing Business located within a six (6) mile radius of any then-existing Magnolia Bakery; or

(2) Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

C. You acknowledge that the Franchised Location will acquire goodwill associated with the System and that it would be difficult for us to ascertain that you have no interest in the operation by a third party of a Competing Business at that location that would, if operated by you, violate the restrictions of this Section 13.2. Accordingly, you further covenant and agree that, during the term of this Agreement and for a period of two (2) years following the transfer, expiration or earlier termination of this Agreement, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Franchised Location to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competing Business at the Franchised Location that would violate Section 13.2.B.(1) if operated by you. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Franchised Location, shall include such restrictive covenants as are necessary to ensure that a Competing Business that would violate Section 13.2.B.(1) if operated by you is not operated at the Franchised Location for this two (2) year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

13.3 Exception for Publicly Traded Stock. The restrictions contained in Section 13.2.B.(1) will not apply to ownership by you of less than a five percent (5%) beneficial interest in the equity securities of any publicly held corporation.

13.4 Owners and Employees. Your owner(s) identified in Exhibit B that sign the Guarantee attached to this Agreement as Exhibit C will agree to be bound personally by the provisions of this Section 13, provided that, as to them, the time period in Section 13.2.B will run from the expiration, termination, or transfer of this Agreement or from the termination of the individual's relationship with you, whichever occurs first. At our request, you must obtain signed agreements similar in substance to this Section 13 (including agreements applicable upon termination of a person's relationship with you) from your Operations Leader, officers, directors, and owners. Each agreement required by this Section 13.4 must be in a form we approve and specifically identify us as a third-party beneficiary with the independent right to enforce the agreement.

13.5 Enforcement

A. We have the right, in our sole discretion, to reduce the scope of any restriction in Section 13.2 by giving you written notice and you agree to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 22.

B. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 13.

C. You acknowledge that your violation of the terms of this Section 13 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 13. Injunctive relief will be in addition to any other remedies we may have.

D. If you or any other person bound by this Section 13 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a judicial proceeding, the obligations under the breached restriction will continue in effect for a period ending two (2) years after the date that you or the person begin to comply with the order enforcing the restriction.

14 TRANSFER

14.1 By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations under this Agreement. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

14.2 By You. You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if you are a business entity, on the business skill, financial capacity, and personal character of your owners and management). Accordingly, neither you nor any immediate or remote successor to any interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you, may sell, assign, transfer, convey, pledge, encumber or give away any direct or indirect interest in this Agreement, in you (if you are a corporation or other entity), or in substantially all of the assets of the Bakery, without our prior written consent, which will not be unreasonably withheld. You must notify us in writing of any proposed transfer at least thirty (30) days before the transfer is to take place, and must provide all information and documentation relating to the proposed transfer that we reasonably request. Notwithstanding the foregoing, you may grant a security interest in, or otherwise encumber certain assets of the Bakery, excluding the Franchise Agreement, in connection with obtaining financing for the development and/or operation of the Bakery or equipment leasing, if such financing satisfies our requirements, which may include execution of agreements by us, you and your owners and your secured creditor, in a form satisfactory to us, acknowledging such creditor's obligations to be bound by the terms of this Section 14.

14.3 Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of a written request for our approval of a proposed transfer pursuant to this Section 14 (other than a transfer to immediate family members of your owners who meet our operational and financial criteria for new franchisees), to purchase the interest proposed to be transferred. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, or any other document necessary to implement the transfer, and not be subject to financing or any other contingencies. Our thirty (30) day period for determining whether or not to exercise our right of first refusal will not begin until the transferor has provided all information and documentation that we require in a form and substance satisfactory to us. We may assign this right of first refusal to a third party in our sole discretion. If we desire to exercise our right of first refusal, we will do so by providing written notice (the **"Purchase Notice"**) to the transferor, as follows:

A. If the transfer is proposed to be made pursuant to a sale, we may purchase the interest proposed to be transferred on the same financial terms and conditions offered by the third party. Closing on our purchase will occur within sixty (60) days after the date of the transferor's receipt of the Purchase Notice. If the consideration, terms, and/or conditions offered by the third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If, within thirty (30) days of the transferor's receipt of the Purchase Notice the parties cannot agree as to the reasonable equivalent in cash consideration, an independent appraiser will be appointed by mutual agreement and the determination of the appraiser will be binding. Any material change in the terms of the offer from a third party after we have elected not to purchase the interest sought to be transferred will constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer.

B. If the transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within forty-five (45) days after our notice to the transferor of the appraiser's determination of fair market value.

C. Our failure to exercise our right of first refusal shall not constitute approval of the proposed transfer nor a waiver of any other provision of this Section 14 with respect to a proposed transfer. If we do not exercise our right of first refusal, you or your owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our consent to the transfer as provided in Section 14.2, provided that if the sale to such offeror is not completed within sixty (60) days after receipt of our notice of our decision not to exercise our right of first refusal, or if there is a material change in the terms of the offer, you must promptly notify us, and we will have an additional right of first refusal (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty (30) day period following your notification of the expiration of the sixty (60) day period or the material change to the terms of the offer.

14.4 Conditions of Our Consent. If we elect not to exercise our right of first refusal under Section 14.3, the proposed transferor may complete the transfer after obtaining our written consent as required under Section 14.2. We may withhold our consent on any reasonable grounds, or may give our consent subject to reasonable conditions, which may include the following:

A. That all of your accrued monetary obligations to us and our affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Bakery (including bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in our reasonable judgment, adequately provided for. We reserve the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied;

B. That you and your Franchisee Affiliates are: (1) not then in material default of any provision of this Agreement or any other agreement with us or our affiliates; (2) in good standing as a franchisee with us and our affiliates; (3) not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Bakery or any other franchised

Magnolia Bakery; and (4) not in default beyond the applicable cure period with any vendor or supplier to the Bakery;

C. That the sales price shall not be so high, in our reasonable judgment, as to jeopardize the ability of the transferee to develop, maintain, operate and promote the Bakery and meet financial obligations to us, third-party suppliers and creditors. Our decision with respect to a proposed transfer shall not create any liability on the part of us: (1) to the transferee, if we approve the transfer and the transferee experiences financial difficulties; or (2) to the transferor or the proposed transferee, if we reject the transfer pursuant to this Section 14 or for other legitimate business purposes. We, without any liability to the transferor or the proposed transferee, have the right, in our sole discretion, to communicate and counsel with the transferor, you, and the proposed transferee regarding any aspect of the proposed transfer;

D. That the transferor executes a general release, in a form satisfactory to us, of any and all claims against us, our affiliates and their respective past, present, and future officers, directors, shareholders, and employees, in their corporate and individual capacities;

E. That the transferee (and if the transferee is a corporation, partnership, or limited liability company, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; or, at our option, enter into our then current form of Franchise Agreement; and, if the transferor guaranteed your obligations under this Agreement, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us;

F. If the transferee is an existing Magnolia Bakery developer or franchisee, that the transferee is not in default under its agreements with us, its landlords, lenders and its suppliers and has a good record of customer service and compliance with our operating standards;

G. That the transferee, whether or not an existing Magnolia Bakery developer or franchisee, demonstrates to our satisfaction that he or she meets (or, if the transferee is a business entity, that its owners and management team meet) our educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise); has the ability to obtain a possessory interest in the Franchised Location; has the ability to obtain all required licenses and permits to operate the Bakery; and has adequate financial resources and capital to fulfill your obligations under this Agreement in a timely manner;

H. That you have corrected any existing deficiencies of the Bakery of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish the Bakery in accordance with our then-current requirements and specifications for Magnolia Bakeries within the time period we specify following the effective date of the transfer (we will advise the proposed transferee before the effective date of the transfer of the specific actions that are required and the time period within which such actions must be taken);

I. That the transferee designates an Operations Leader and a Baking Production Manager who both satisfactorily complete the initial training program and pay our then-current training fees and the transferee's other employees are properly trained; and

J. That the transferor pays a transfer fee in the amount of Twenty-Five Thousand Dollars ($25,000). If the transaction involves one or more Magnolia Bakeries other than the Bakery franchised under this Agreement, the transferor must also pay the transfer fee specified in the franchise agreement for each other Magnolia Bakery in the transaction.

14.5 Transfers to an Entity Wholly Owned by You. If you signed this Agreement as an individual or a group of individuals, prior to opening the Bakery, you must transfer this Agreement to a corporation or

limited liability company that is wholly owned by you where the ownership and management of the Bakery will not change The requirements of Section 14.2 shall apply to such a transfer; however, the transfer fee shall be waived if this transfer is complete before you sign a lease for the Bakery, and the transfer fee shall be reduced to Two Thousand Dollars ($2,000) if this transfer takes place after lease signing. Our consent also will be conditioned on the following: (1) the entity must be newly organized; (2) prior to the transfer, we must receive a copy of the documents specified in Section 14.2 and the transferee shall comply with the remaining provisions of Section 14; and (3) you must own all voting securities of the newly formed corporation (or membership interests of the newly formed limited liability company) or, if you are owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the transfer.

14.6 Death, Incapacity or Bankruptcy. If you or any owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 14, as applicable; however, you will not be required to pay a transfer fee. In addition, if the deceased or incapacitated person is the Managing Owner, we will have the right (but no obligation) to take over operation of the Bakery upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Bakery until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section 14.6, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (1) for a period of thirty (30) or more consecutive days, or (2) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of transfer set forth in Section 14.4, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 14.6 within six (6) months after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 16.2.

14.7 Securities Offering. All materials for a public offering of stock or partnership interests in you or any of your affiliates that are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review before their use. You agree that: (1) no offering by you or any of your affiliates may imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (2) our review of any offering shall be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (3) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above. You (and the offeror if you are not the offering party), your owners, and all other participants in the offering must fully indemnify us, our subsidiaries, affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars ($10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering as well as any subsequent or periodic documents needed in connection with your securities offering (e.g., quarterly or annual filings). You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 14.7 commences. Any such offering shall be subject to all of the other provisions of this Section 14; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

14.8 Nonconforming Transfers Void. Any purported assignment or transfer that is not in compliance with this Section 14 will be null and void and will constitute a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure pursuant to Section 16.2 below. Our consent to a transfer will not constitute a waiver of any claims we may have against the transferor, nor will it be deemed a waiver of our right to demand exact compliance by the transferor, transferee or you with any of the terms of this Agreement.

15 RENEWAL

15.1 Renewal Franchise Agreements. When this Agreement expires, you will have an option to remain a franchisee at the Franchised Location for two (2) renewal terms of five (5) years each (each a "**Renewal Term**") if we are still offering franchises in the area where the Bakery is located and if you are in substantial compliance with the terms of this Agreement. The qualifications and conditions for the first Renewal Term are described below. The qualifications and conditions for the second Renewal Term will be described in the form of renewal franchise agreement signed upon the expiration of this Agreement.

15.2 Conditions for a Renewal Term. In order to be eligible for a Renewal Term, you must meet the following conditions:

A. You must give us written notice of your election to remain a franchisee at the Franchised Location for the first Renewal Term at least six (6) months and no more than nine (9) months before the end of the Initial Term;

B. You must not be in default under this Agreement or any other agreements with us and/or our affiliates; you must not be in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Bakery; you must not be in default beyond the applicable cure period with any vendor or supplier to the Bakery; and, for the twelve (12) months before the date of your renewal notice and the twelve (12) months before the expiration of the Initial Term, you must not have been in default beyond the applicable cure period under this Agreement or any other agreements with us and/or our affiliates.

C. You must make the capital expenditures required to renovate and modernize the Bakery to conform to the interior and exterior designs, décor, color schemes, furnishings and equipment and presentation of the Marks consistent with the image of the System for new Magnolia Bakeries at the time you provide the renewal notice, including such structural changes, remodeling, redecoration and modifications to existing improvements as may be necessary to do so.

D. As determined by us in our sole discretion, you have operated the Bakery and you and your Franchisee Affiliates have operated all of your other franchised Magnolia Bakeries in accordance with the applicable franchise agreements and with the System (as set forth in the Manual or otherwise and as revised from time to time by us);

E. You must present satisfactory evidence to us that you have the right to remain in possession of the Franchised Location, or other premises acceptable to us, for the Renewal Term and all monetary obligations owed to your landlord, if any, must be current;

F. You must be operating the Bakery in full compliance with all federal, state and local laws and regulations and you must demonstrate that you are able to maintain all licenses and permits necessary to continue to operate the Bakery for the Renewal Term; and

G. You must comply with our qualification and training requirements for new Magnolia Bakery franchisees.

15.3 Renewal Franchise Agreement. If you are eligible and you elect to remain a franchisee for the first Renewal Term, you and your owners must: (1) sign our then-current form of renewal franchise agreement (modified as necessary to reflect the fact that it is a renewal franchise agreement), which will supersede this Agreement in all respects and which may provide for higher fees, fees not included in this Agreement, and other terms and conditions materially different from the terms of this Agreement; (2) sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and their respective past and present officers, directors, shareholders, and employees, in their corporate and individual capacities; and (3) pay us a renewal fee in an amount equal to fifty percent (50%) of our then-current Initial Franchise Fee ("**Renewal Fee**"). Your failure to sign the renewal franchise agreement and general release

and return these documents to us with the Renewal Fee prior to the expiration of the Initial Term will be deemed an election by you not to exercise your right to remain a franchisee for the Renewal Term and will result in the expiration of this Agreement and the franchise granted by this Agreement at the end of the Initial Term.

16 DEFAULT AND TERMINATION

16.1 Termination without Notice. You will be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Franchised Location or equipment of the Bakery is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Bakery is sold after levy thereupon by any sheriff, marshal, or constable.

16.2 Termination without Cure Period. If any of the following events of default occurs, we may terminate this Agreement without providing you any opportunity to cure the default, effective immediately upon receipt of written notice by you:

A. You fail to meet the Site Acquisition Deadline or the Opening Deadline.

B. You cease to operate the Bakery during the days and hours specified in the Manual for a period in excess of three (3) consecutive business days or for five (5) individual business days within a twelve (12) month period, unless the closing is due to an event of Force Majeure (as defined in Section 20) or other similar causes beyond your control or is approved in writing in advance by us.

C. We make a reasonable determination that continued operation of the Bakery by you will result in an imminent danger to public health or safety.

D. You lose possession of the Franchised Location through your own fault or your failure to extend the lease for the Franchised Location through the Initial Term or you relocate the Franchised Location without our prior written approval.

E. Your Operations Leader or Bakery Production Manager fail to satisfactorily complete the initial training program or you fail or refuse to have your employees attend the training programs described in Section 5.

F. You, your owners, your employees or your independent contractors do business with third parties in violation of any Anti-Terrorism Laws and/or the Foreign Corrupt Practices Act.

G. You default on the terms of any indebtedness that results in the acceleration of the indebtedness with an outstanding principal amount of One Hundred Thousand Dollars ($100,000) or more; there is a material loss or damage to any of your assets related to the Bakery that results in an aggregate loss (in excess of coverage) of One Hundred Thousand Dollars ($100,000) or more; or there is an entry of a judgment against you involving aggregate liability (in excess of insurance coverage) of One Hundred Thousand Dollars ($100,000) or more if such judgment remains unpaid or unsatisfied for a period of ten (10) or more days following entry of the judgment.

H. There is a material breach by you of any covenant or obligation under Section 13.

I. Any transfer that requires our prior written consent occurs without your having obtained that prior written consent;

J. We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement.

K. You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

L. You, your Managing Owner, or any of your 10% Owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates or the System.

M. You, your Managing Owner or any of your 10% Owners: (1) materially misuse or make unauthorized use of the Marks or the Proprietary Materials, (2) commit any act or take any action that impairs the goodwill of the Marks, (3) use the Proprietary Materials or other proprietary System know-how at any business owned or operated by you or your 10% Owners other than a Magnolia Bakery; or (4) fail to cure any breach or default under this Agreement that materially impairs or can be expected to impair the goodwill associated with the Marks.

N. You understate the Gross Revenues of the Bakery for any period by two percent (2%) or more three (3) or more times during any thirty-six (36) month period, or by more than five percent (5%) on any one (1) occasion.

O. You conceal revenue, taking for your own use employee taxes, FICA, insurance or benefits or any of our property.

P. You, your Franchisee Affiliates, your Managing Owner, any member of the Control Group, or any 10% Owner: (1) remain in default beyond the applicable cure period under any other agreement with us or our affiliates (other than a Development Agreement) provided that, if the default is not by you, we shall provide to you written notice of the default and a fifteen (15) day period to cure the default; (2) remain in default beyond the applicable cure period under any real estate lease, equipment lease, financing instrument or supplier contract relating to the Bakery; or (3) fail to pay when due any taxes or assessments relating to the Bakery or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

Q. You have received three (3) or more notices of default of this Agreement within a twelve (12) month period.

R. You repeatedly fail to comply with one or more requirements of this Agreement, regardless of whether you have previously cured the default.

16.3 Termination Following Expiration of Cure Period

A. Except as otherwise provided above in Sections 16.1 and 16.2 above, if you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement, the Manual, or otherwise in writing, we may terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 21 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

B. Notwithstanding the provisions of preceding Section 16.3.A, if you default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within five (5) days after receiving written notice of default (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the five (5) day period or such longer period as applicable law may require.

C. In addition to the other provisions of this Section 16.3, if we reasonably determine that you become or will become unable to meet your obligations to us or our affiliates under this Agreement, we may provide you written notice to that effect and demand that you provide those assurances reasonably designated by us, which may include security or letters of credit for the payment of your obligations to us and our affiliates. If you fail to provide the assurances demanded by us within thirty (30) days after your receipt of written notice from us, this Agreement shall terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing.

16.4 Termination Following Inspection. We will have the right to periodically conduct inspections of the Bakery to evaluate your compliance with the System and this Agreement. Following each inspection, we will provide you an inspection report listing your score on the inspection and those conditions at the Bakery that must be rectified. If you fail to achieve a passing score on an inspection, the inspection report shall constitute a notice of default. If you fail to achieve a passing score on the next inspection (which shall be conducted at least thirty (30) days after your receipt of the inspection report for the prior inspection), we may terminate this Agreement, without opportunity to cure, by providing you written notice of termination along with the inspection report.

16.5 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section 16, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

17 OBLIGATIONS UPON TERMINATION OR EXPIRATION

17.1 Obligations. Except as provided in Section 17.2 below, upon termination or expiration of this Agreement:

A. All rights and licenses granted to you under this Agreement (including, without limitation, rights to use the System, the Manual, and the Marks) shall immediately terminate and any right, title, and interest claimed by you to any such matters shall immediately revert to us without further notice or documentation.

B. You must immediately cease operating the Bakery;

C. You must promptly pay all sums owing to us and our affiliates. In the event of termination for your default, the sums will include all damages, costs, and expenses incurred by us as a result of the default, including reasonable attorneys' fees. You must permit our access to, and examination of, your books and records as provided in Section 10 to determine any amounts due;

D. You must promptly deliver to us the Manual and all other records, correspondence, and instructions in your possession or control, in any medium, that contain confidential information, trade secrets, or know-how relating to the System or the operation of a Bakery, all of which are acknowledged to be our property;

E. You must immediately cease to use the confidential methods, procedures, and techniques associated with the System, the "Magnolia Bakery" name and mark, all other Marks, the Proprietary Materials, and all other distinctive forms, slogans, signs, symbols, websites, domain names, e-mail addresses, telephone numbers, other electronic identifiers, and devices associated with the Bakery or the System (whether authorized for use or not); withdraw all advertising matter (including electronic

marketing); remove the Marks from the Franchised Location and from clothing, signs, letterhead, materials, motor vehicles and other items owned or used by you in the operation of the Bakery. You must not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former franchisee of ours.

F. You must promptly make such alterations and modifications to the Franchised Location as may be necessary to clearly distinguish to the public the Franchised Location from its former appearance as a Magnolia Bakery and also make those specific additional changes as we may request for that purpose. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or other tort.

G. You must take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any e-mail address or domain name registration, obtained by you which contains "Magnolia Bakery" or any other Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after the termination or expiration of this Agreement. You hereby appoint us your attorney-in-fact to carry out the requirements of this Section 17.1.G, if you fail to do so within such five (5) day period.

H. You may not use any reproduction, counterfeit, copy, or colorable imitation of the Marks or the Proprietary Materials in connection with any other business which, in our sole discretion, is likely to cause confusion, mistake, or deception or to dilute our and our affiliates' rights in and to the Marks and the Proprietary Materials. You must not use any designation of origin or description or representation which, in our sole discretion, falsely suggests or represents an association or connection with us.

I. You, your guarantors and all persons and entities subject to the covenants contained in Section 13 must continue to abide by those covenants and refrain from, directly or indirectly, taking any action that violates those covenants.

J. You must furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by your Managing Owner) satisfactory to us of your compliance with Sections 17.1.A through 17.1.I.

17.2 Our Rights to Acquire the Franchised Location and the Bakery Assets. Upon expiration or termination of this Agreement, at our option you must:

A. Assign to us your interest in the lease or sublease for the Franchised Location (or provide us with a commercially reasonable lease in the event you own the Franchised Location); or, if you own the Franchised Location, lease the Franchised Location to us pursuant to the terms of our standard lease, for a term of five (5) years with two successive five (5) year renewal options at fair market rental during the term of the lease. If we elect not to exercise our option to acquire the lease or sublease for the Franchised Location, you must make such modifications or alterations to the Franchised Location as may be necessary to comply with Section 17.1.F.

B. Sell to us such of the furnishings, equipment, signs, and fixtures of the Bakery as we may designate, at fair market value, and such of the inventory and supplies of the Bakery as we may designate, at its net book value, using a five (5)-year amortization period. If the parties cannot agree on the price of any such items within a reasonable time, an independent appraiser will be appointed by us at our expense, and the appraiser's determination will be binding on both parties. If we exercise our option to purchase any items, we will have the right to set off all amounts due from you against any payment for such items.

C. We may exercise either or both of our options under Sections 17.2.A and 17.2.B: (1) anytime during the six (6) month period before the expiration of the Initial Term, in the case of expiration of this Agreement; and (2) at any time between the date of delivery of written notice of termination and

ninety (90) days after the effective date of termination, in the case of termination of this Agreement. If we deem such action desirable in order to preserve the value of such options, we may issue to you, and you must comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 17.1.

17.3 Our Costs and Expenses. The terms of this Section 17 shall survive the termination or expiration of this Agreement. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees) we incur in obtaining injunctive, declaratory, or other relief to enforce this Section 17.

18 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 Independent Contractor.

E. This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. While this Agreement is in effect, you must hold yourself out to the public as an independent contractor operating the Bakery pursuant to a franchise agreement from us. This Agreement does not authorize you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not be deemed liable as a result of any such action, nor will we be liable by reason of your act or omission in the operation of the Bakery, or for any claim or judgment arising therefrom against you or us.

F. We are not the employer or joint employer of the employees of the Bakery. You are solely responsible for the management and operation of the Bakery and the supervision of the employees of the Bakery. We will not exercise direct or indirect control over the working conditions of the employees of the Bakery, except to the extent that such indirect control is related to our legitimate interest in protecting the quality of our products, services or brand. We do not share or codetermine the terms and conditions of employment of the employees of the Bakery and do not affect matters relating to the employment relationship between you and the employees of the Bakery, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions.

18.2 Indemnification

A. You and your Guarantors must defend, indemnify and hold harmless, us and our parent, affiliates, subsidiaries and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, "**Indemnified Parties**") from and against all Losses (as defined below) which any of the Indemnified Parties may suffer, sustain or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of your development and operation of the Bakery, your conduct of business under this Agreement, your breach of this Agreement or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice will not release you from your indemnification obligations under this section except to the extent you are actually and materially prejudiced by such failure.

B. You will have the right, upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses (as defined below) resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (1) the Indemnified Party will have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the

Indemnified Party because such interests could be in conflict with your interests, or (2) you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and you will pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense.

C. You or the Indemnified Party (as the case may be) shall keep you or the Indemnified Party (as the case may be) reasonably apprised of, and shall respond to any reasonable requests concerning, the status of the defense of any claim and shall cooperate in good faith with each other with respect to the defense of any such claim. You shall not, without the prior written consent of the Indemnified Party, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim that is being defended in good faith by you in accordance with the terms of this section will be settled by the Indemnified Party without your prior written consent. Notwithstanding anything to the contrary herein, if a claim involves the Marks, you agree that we will have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

D. You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

E. For purposes of this Section 18.2, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation and alternative dispute resolution.

F. Your obligations in this Section 18.2 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 18.2. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 18.2.

19 APPROVALS AND WAIVERS

19.1 Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

19.2 No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

19.3 No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the

same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

20 FORCE MAJEURE

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of any natural disaster, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, pandemic, fire, or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby ("**Force Majeure**") that cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration. Your inability to obtain financing (regardless of the reason) shall not constitute Force Majeure.

21 NOTICES

Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be made effective by giving fifteen (15) days written notice of such change to the other party. We may provide you with routine information, invoices, updates to the Manual, System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, or by making such information available to you on the Internet, an extranet, or other electronic means.

22 ENTIRE AGREEMENT

The parties acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the Manual, and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Subject to our rights to modify the Manual, the System standards and the System, and our right to modify Exhibit A to reflect the Franchised Location pursuant to Section 2.3 or as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in any Franchise Disclosure Document that we provided to you.

23 DISPUTES

23.1 Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles. Nothing in this Section 23.1 is intended, or shall be deemed, to make

any New York law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

23.2 Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed, in the jurisdiction where you reside or do business, where the Bakery is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

23.3 Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

23.4 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, during, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

23.5 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled to by law or this Agreement to exercise or enforce.

23.6 **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION LAWSUITS AND JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY. THE PARTIES ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES, IF ANY. IN ADDITION, THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS AND THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, AND/OR COUNTERCLAIM BROUGHT BY EITHER PARTY.**

23.7 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including the failure to comply fully with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

24 SEVERABILITY AND CONSTRUCTION

24.1 Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise enforceable. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

24.2 Counterparts. This Agreement may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Agreement.

24.3 Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

24.4 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

24.5 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days.

24.6 Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

24.7 No Implied Third-Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

24.8 References. Each reference in this Agreement to a corporation or partnership also shall be deemed to refer to a limited liability company and any other entity or organization similar thereto if applicable. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto if applicable.

24.9 Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from (1) striking any portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (2) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

24.10 Construction. In this Agreement, the words “include”, “includes”, and “including” shall be deemed to be followed by the phrase “without limitation”.

24.11 Best Interests of System. Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. “Best interests” includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (1) there may have been other alternative decisions or actions that could have been taken; (2) our decision or the action taken promotes our own financial interest; or (3) our decision or the action may apply differently to different franchisees and/or to any Magnolia Bakeries that we or our affiliates operate. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

FRANCHISOR: **MAGNOLIA BAKERY INTERNATIONAL, LLC,** a Delaware limited liability company	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
EFFECTIVE DATE: _____	Date: _____
Notice Address: 244 West 54th Street, Suite 501 New York, NY 10019	Notice Address: _____ _____

EXHIBIT A TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

FRANCHISE INFORMATION

Franchisee: _____

Initial Franchise Fee:_____.

[Drafting Note to be deleted: The Initial Franchise Fee is $49,000 (for single Bakery and first Bakery under Development Agreement) or $39,000 (for subsequent Bakeries under Development Agreement.)]

[Add if applicable for a Bakery developed under a Development Agreement and delete this drafting note: A credit in the amount of $19,500 from a Development Agreement shall be applied to the Initial Franchise Fee and you will pay [$29,500] [$19,500] when you sign this Franchise Agreement.]

Store Format: _____

Franchised Location: _____

Protected Territory: _____

_____

_____

Site Selection Area: If the Premises has not been accepted by us as of the Effective Date, the **Site Selection Area** (See Section 2.2.B) shall be identified as: _____

_____

The Protected Territory and/or the Site Selection Area may also be depicted on a map and, if so, that map will be attached to this Exhibit A. Any boundaries contained in the description of the Protected Territory and the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

EXHIBIT B TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

OWNERSHIP INTERESTS

Franchisee: _____

Form of Ownership. Franchisee is a _____ incorporated or formed on _____ in the state of _____.

Owners. The following list includes the full name of each person who is an owner of a legal or beneficial interest in Franchisee, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Name	Home Address	Percentage and Description of Ownership Interest

[If Franchisee consists of individuals, delete the above and use the below:

Franchisee Names and Home Addresses:

Name	Home Address

Control Group. Franchisee's Control Group shall be comprised of the following persons: _____

_____

Managing Owner. Franchisee's Managing Owner is: _____

EXHIBIT C TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Magnolia Bakery Franchise Agreement ("**Agreement**") entered into concurrently with this Guarantee by Magnolia Bakery International, LLC ("**Franchisor**") and _____ ("**Franchisee**"), the undersigned ("**Guarantors**"), each of whom is an officer, director, limited liability company manager, member of Franchisee's Control Group or a 10% Owner, or the spouse thereof, hereby personally and unconditionally agree as follows:

1. Guarantee To Be Bound By Certain Obligations. Guarantors hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the covenants and restrictions contained in Section 13 (Covenants) of the Agreement.

2. Guarantee and Assumption of Franchisee's Obligations. Guarantors hereby: (1) guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Franchisee and any assignee of Franchisee's interest under the Agreement shall: (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) punctually pay all other monies owed to Franchisor and/or its affiliates; (2) agree to be personally bound by each and every provision in the Agreement including the provisions of Sections 13 (Covenants) and 18.2 (Indemnification); and (3) agree to be personally liable for the breach of each and every provision in the Agreement.

3. General Terms and Conditions. The following general terms and conditions shall apply to this Guarantee:

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right s/he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which s/he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: (1) her/his direct and immediate liability under this Guarantee shall be joint and several; (2) s/he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Franchisor. In addition, if any of the undersigned ceases to be a member of the Control Group, a 10% Owner, an officer, director or limited liability company manager of Franchisee or own any interest in

Franchisee or the Bakery, that person (and his spouse, if the spouse is also a guarantor) agrees that the obligations under this Guarantee shall continue to remain in force and effect unless Franchisor in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 13.2 (Restrictions on Competition) of the Agreement shall remain in force and effect for a period of two (2) years after any such release by Franchisor. A release by Franchisor of any of the undersigned shall not affect the obligations of any other Guarantor.

If Franchisor brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Franchisor's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guarantee.

Section 23 (Disputes) of the Agreement is incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee shall have the meaning given them in the Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature, under seal.

GUARANTORS:

Date: _____

_____
Print Name: _____
Address: _____

Date: _____

_____
Print Name: _____
Address: _____

Date: _____

_____
Print Name: _____
Address: _____

Date: _____

_____
Print Name: _____
Address: _____

EXHIBIT D TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT AND POWER OF ATTORNEY
TELEPHONE AND ON-LINE NUMBERS AND LISTINGS

This Conditional Assignment and Power of Attorney ("**Assignment**") is made by and between Magnolia Bakery International, LLC ("**Franchisor**") and _____ ("**Franchisee**") and shall be effective as of the Effective Date on the signature page of this Assignment.

FOR VALUE RECEIVED, and pursuant to Franchisee's obligations under the Magnolia Bakery Franchise Agreement dated as of the Effective Date noted below by and between Franchisor and Franchisee (the "**Franchise Agreement**"), Franchisee hereby assigns to Franchisor all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone and on-line directory listings (collectively, the "**Numbers and Listings**") used from time to time in connection with Franchisee's operations under the Franchise Agreement.

1. Assignment.

(a) Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the right (and Franchisor is hereby empowered) to implement this Assignment, and, in such event, Franchisee will have no further right, title or interest in the Numbers and Listings but will remain liable to the telephone company and/or the listing agencies with which Franchisee has placed directory listings (all such entities are collectively referred to herein as the "**Company**") for all past due fees owing to the Company on or before the effective date of this Assignment.

(b) Franchisee acknowledges and agrees that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the sole right to and interest in the Numbers and Listings.

2. Power of Attorney.

(a) Franchisee appoints Franchisor as Franchisee's true and lawful attorney in fact to direct the Company to assign same to Franchisor (or to the party Franchisor designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Company to assign the Numbers and Listings to Franchisor (or Franchisor's designee). If Franchisee fails to promptly direct the Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee), Franchisor may direct the Company to effectuate the assignment contemplated hereunder to Franchisor (or Franchisor's designee).

(b) The parties agree that the Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment will be made automatically and immediately effective upon the Company's receipt of such notice from Franchisor or Franchisee.

(c) The parties further agree that if the Company requires that the parties execute the Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee will be sufficient to document that Franchisee has given its consent and agreement to the assignment.

(d) The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

This Assignment will inure to the benefit of Franchisor and will be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, the parties to this Assignment have executed and delivered this Assignment effective as of the Effective Date referenced below.

FRANCHISOR: **Magnolia Bakery International, LLC,** **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____

EFFECTIVE DATE: _____

EXHIBIT E TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

FORM OF ADDENDUM TO LEASE

THIS ADDENDUM is executed as of this ___ day of _____, _____, by and between _____(“**Franchisee**”) and _____ (“**Landlord**”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, (“**Lease**”) for the premises located at _____, State of _____ (“**Premises**”) dated as of _____, ____.

Franchisee has entered into a Magnolia Bakery Franchise Agreement (“**Franchise Agreement**”) with Magnolia Bakery International, LLC (“**Franchisor**”) for the development and operation of a Magnolia Bakery at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its option to acquire the Premises under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.

3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.

4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor’s prior written consent.

5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.

6. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord’s prior consent, further assign the Lease to a franchisee of Franchisor to operate the Magnolia Bakery at the Premises provided that the following criteria are met: (a) Franchisor has an established franchising program for Magnolia Bakeries; and (b) the proposed franchisee has met all of Franchisor’s applicable program criteria and requirements and has executed Franchisor’s standard franchise agreement. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Magnolia Bakery. Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is an affiliate or an owner of Franchisee and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Franchisor shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Magnolia Bakery is located.

9. Franchisor, along with its successors and assigns, is an intended third-party beneficiary of the provisions of this Addendum.

10. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 244 West 54th Street, Suite 501, New York, NY 10019 (Attn: Chief Executive Officer) or such other address as Franchisor shall specify by written notice to Landlord.

11. Under the Franchise Agreement, any lease for the location of a Magnolia Bakery is subject to Franchisor's approval with regards to the terms and conditions that affect Franchisor, and Franchisor expressly disclaims any other connotations either expressed or implied as to the other terms and conditions set forth in the Lease that are negotiated between Landlord and Franchisee. Accordingly, the Lease is contingent upon such approval, and Franchisor shall provide written notice to Landlord and Franchisee to evidence such approval, as applicable.

[Signature page follows.]

[Form – Do not sign with Franchise Agreement]

WITNESS the execution hereof under seal.

LANDLORD: _____

By:_____

Print Name:_____

Title:_____

Date: _____

Subscribed and sworn to before me this ___ day of _____, _____.

_____
Notary Public

My Commission expires: _____

FRANCHISEE: _____

By:_____

Print Name:_____

Title:_____

Date: _____

Subscribed and sworn to before me this ____ day of _____, ____.

_____
Notary Public

My Commission expires: _____

EXHIBIT F TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

FORM OF NON-DISCLOSURE AGREEMENT

(to be signed by franchisee and its personnel)

THIS NON-DISCLOSURE AGREEMENT (this "**Agreement**") is made this _____ day of _____, 20___, by and between _____ ("**Franchisee**") and _____, who is an owner, manager, member, or partner of, or a person in a managerial position with, Franchisee ("**Member**").

RECITALS:

Magnolia Bakery International, LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of retail stores specializing in hand crafted classic American desserts, coffee, tea and other beverages and related retail merchandise items (each, a "**Magnolia Bakery**");

Franchisor identifies Magnolia Bakeries by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark "Magnolia Bakery" and such other trade names, service marks, and trademarks as Franchisor may hereafter designate for use in connection with the System (the **"Marks"**);

Franchisor and Franchisee have executed a Magnolia Bakery Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Magnolia Bakery (the "**Bakery**") located at _____ (the "**Franchised Location**") and to use the Marks in connection therewith under the terms and conditions of the Franchise Agreement; and

Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality agreement that Franchisee is bound by.

NOW THEREFORE, in consideration of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Franchisee's operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Member can demonstrate came to his or her attention before disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason,

then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. **Delay**. No delay or failure by Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. **Entire Agreement**. This Agreement constitutes the entire understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior and subsequent Agreements or understanding, oral or in writing, between the parties hereto in connection with the subject matter hereof. In the event of any conflict between this Agreement and any other agreement between the parties hereto, this Agreement shall control.

7. **Notices.** All notices pursuant to this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the party at the address shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing.

8. **Third-Party Beneficiary**. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Franchisee and Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

[Form – Do not sign with Franchise Agreement]

FRANCHISEE	**MEMBER**
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____
Notice Address _____	Notice Address _____
_____	_____

EXHIBIT G TO MAGNOLIA BAKERY FRANCHISE AGREEMENT

ACH AUTHORIZATION FORM

MAGNOLIA BAKERY LOCATION: _____

DEPOSITOR (NAME OR LEGAL ENTITY): _____

The undersigned depositor ("Depositor") hereby authorizes Magnolia Bakery International, LLC to initiate debit entries and credit correction entries to Depositor's checking or savings account indicated below and Depositor hereby authorizes the depository designated below ("Bank") to debit or credit such account pursuant to Magnolia Bakery International, LLC's instructions. This authorization is to remain in full force and effect until 60 days after Magnolia Bakery International, LLC has received written notification from Depositor of its termination.

DEPOSITOR INFORMATION

Depositor Name:
Mailing Address:
City/ State/ Zip Code:
Telephone:
Email:

DEBITING BANK ACCOUNT INFORMATION

Bank Name:
City / State / Zip Code:
Branch:
Account Number to Debit:
Routing Number (9 digit #):
Account Name:

The undersigned representative of Depositor represents and warrants to Magnolia Bakery International, LLC and the Bank that the person executing this ACH Authorization Form is an authorized signatory on the account referenced above and all information regarding the account is true and accurate.

Depositor By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT B

NON-TRADITIONAL LOCATION ADDENDUM

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT FOR A NON-TRADITIONAL LOCATION

THIS ADDENDUM to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") by and between Magnolia Bakery International, LLC (**"we"**, **"us"** or **"Franchisor"**) and _____ (**"you"** or **"Franchisee"**) is entered into simultaneously with the execution of the Franchise Agreement.

RECITALS

Pursuant to the Franchise Agreement, we granted you the right to operate the Bakery at the Premises.

Since the Bakery will be operated at a "Non-traditional Location" or "Captive Market Location," certain provisions of the Franchise Agreement will not be applicable to your operation of the Bakery and certain other provisions need to be added to the Franchise Agreement to govern your operation of the Bakery.

The parties have agreed to modify the Franchise Agreement to reflect the necessary changes.

NOW THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereby agree as follows:

1. **Gross Revenues.** The following sentence is added to the end of Section 4.2.1:

   Gross Revenues shall not include revenues from any other businesses that you operate at the Facility (as such term is defined in Section 1.1) other than the Bakery.

2. **Grant of Franchise.** Section 1.1 is deleted and replaced with the following:

   We grant you the non-exclusive right, and you undertake the obligation, on the terms and conditions set forth in this Agreement, to establish and operate a franchised Magnolia Bakery (the "**Bakery**") at the Premises and a license to use the Trademarks and the System solely in connection with the Bakery in compliance with the operating standards set forth in the Manual (the "**Franchise**"). The Bakery is located within a larger building at the street address specified in Exhibit 1 to this Addendum ("**Facility**"), and the Premises occupies the physical area of the Facility (comprising the Bakery, whether a food-court, in-line application, stand-alone bakery or other location, and any dedicated back of the house area), as indicated on the floor plan attached to Exhibit 1 to this Addendum. In addition to the Bakery, you or your Franchisee Affiliates operate those other businesses at the Facility identified in attached Exhibit 1 to this Addendum.

3. **Initial Term**. The following Section 1.2.1 is added to Section 1.2:

   Notwithstanding the foregoing, this Agreement shall automatically terminate if your contract to provide foodservice at the Facility terminates or expires without renewal. In addition, you may terminate this Agreement following sixty (60) days' written notice to us if your client at the Facility instructs you in writing to cease operating the Bakery (provided you have exercised reasonable efforts to arrange a meeting between your client and us, if we so elect, to discuss the continued operation of the Bakery). If your contract to provide foodservice at the Facility permits your client to take this action on shorter notice, the notice period provided in that contract shall govern, provided you have provided us a copy of the relevant contract provision.

4. **No Exclusivity.** Section 1.3 is deleted and replaced with the following:

B. No Exclusivity. Franchisee has no exclusive area or Protected Territory and any reference made thereto in this Agreement shall be deemed deleted and inapplicable. We reserve all rights to use and license the System and the Trademarks other than those expressly granted under this Agreement, including the right to operate, and license others to operate, Magnolia Bakeries at locations that directly or indirectly compete with the Bakery.

5. **Condition of the Premises.** The following sentence is added at the end of Section 8.13:

You and your Franchisee Affiliates shall maintain in first class condition and repair any other businesses that you and/or your Franchisee Affiliates operate at the Facility, all areas adjacent to the Bakery and any common area of the Facility that is utilized by the customers of the Bakery and that may be associated with the Bakery.

6. **Hours of Operation.** The following sentence is added at the end of Section 8.10:

Notwithstanding the foregoing, you are not required to keep the Bakery open and operating during any periods of the day when the adjacent businesses at the Facility are not open and operating.

7. **Signage.** The following sentence is added to the end of Section 8.11:

We have has the right to approve, in its sole discretion, all Magnolia Bakery signage to be displayed in, at or near the Facility. All Magnolia Bakery signage shall be of a size at least equal to the signage for any other businesses that you and/or your Franchisee Affiliates operate at the Facility. If we object to any sign, logo or advertising media of any kind, you shall not display that sign, logo or advertising.

8. **Indemnification.** The following sentence is added to Section 20.2:

Your indemnification obligations under this Section 20.2 shall include any claim arising out of, resulting from or connected with the operation by you or your Franchisee Affiliates of any of the other businesses at the Facility.

9. **Miscellaneous.** The captions in this Addendum are for convenience only. Any capitalized term that is not defined in this Addendum shall have the meaning given to it in the Franchise Agreement. In the event of any conflict between the provisions of this Addendum and the provisions of the Franchise Agreement, the terms of this Addendum shall govern and control. Except as expressly provided in this Addendum, the Franchise Agreement remains unmodified and in full force and effect. This Addendum may be signed in counterparts, signature pages may be exchanged by facsimile and any other electronic transmission (including PDF), and each such counterpart, when taken together with all other identical copies of this Addendum also signed in counterpart, shall be considered as one complete agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date of the Franchise Agreement.

MAGNOLIA BAKERY INTERNATIONAL, LLC
a Delaware limited liability company

By:_____
Print Name:_____
Title:_____
Date: _____

FRANCHISEE: If a corporation, partnership, or limited liability company, print name of business entity on the line below:

_____

By:_____
Print Name:_____
Title:_____
Date: _____

If Franchisee is one or more individuals:

_____
(Print Name)_____
Date: _____

_____
(Print Name) _____
Date: _____
Notice Address: _____
_____

EXHIBIT 1

1. Address of the Facility: _____

2. Other Businesses Operated by Franchisee at the Facility: _____

3. Attach Floor Plan of the Facility.

FLOOR PLAN

EXHIBIT C

DEVELOPMENT AGREEMENT



AREA DEVELOPMENT AGREEMENT

Developer:

MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

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EXHIBITS

A - Development Information
B - Ownership Information
C - Guarantee and Assumption of Developer's Obligations
D - Form of Non-Disclosure Agreement

MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is entered into by and between **Magnolia Bakery International, LLC**, a Delaware limited liability company (**"we," "us," "our,"** or **"Franchisor"**) and the person(s) or entity identified on the signature page to this Agreement (**"you," "your,"** or **"Developer"**) as of the Effective Date indicated on the signature page of this Agreement.

BACKGROUND

A. We have expended substantial resources to develop a system (the "**System**") for establishing, developing and operating MAGNOLIA BAKERY® retail stores ("**Magnolia Bakeries**") specializing in classic American desserts including banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares ("**Menu Items**"), and offering coffee, tea, other beverages, and related retail merchandise (whether now existing or developed in the future, including but not limited to consumer packaged goods, T-shirts, cookbooks, sprinkle jars, fabric bags, aprons, and retail mixes for Menu Items for consumer use only, collectively, "**Merchandise**").

B. The System includes our confidential and proprietary operations manual ("**Manual**") other proprietary information, specifications for interior and exterior store design and other items of trade dress, décor, fixtures, equipment, and uniforms; defined product and service offerings and preparation methods; standard operating, administrative and record keeping procedures; training programs; market analysis; sales and merchandising methods; know-how; trade secrets; formulas; recipes; processes; formats; procedures; standards; quality assurance systems; advertising techniques; and business management, all of which we may change, improve, and further develop from time to time.

C. We and our affiliates identify the System and the food service businesses operating under it by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark MAGNOLIA BAKERY® and such other trade names, service marks, and trademarks as we may in the future designate for use in connection with the System (the **"Marks"**).

D. You desire to be granted the opportunity, and we desire to grant to you the right, to develop a specified number of franchised Magnolia Bakeries (collectively, the "**Bakeries**" and individually, a "**Bakery**") within a specified geographic area.

E. Magnolia Bakeries operate in two formats. A "**Flagship (Full-Bake) Store**" is a Magnolia Bakery offering an expansive menu of products that are produced on site. A "**No-Bake Store**" is a smaller Magnolia Bakery offering fewer menu items with products that are produced off site.

F. Concurrently with signing this Agreement, we and you or your Controlled Affiliate (as defined in Section 1.1.C) have signed a franchise agreement for the operation of a Bakery (the "**Current Franchise Agreement**").

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and they agree as follows:

1 GRANT OF DEVELOPMENT RIGHTS

1.1 Development Rights

A. We hereby grant to you (and/or any of your approved Controlled Affiliates as defined below), subject to the terms and conditions set forth in this Agreement, the right to develop Bakeries at specific locations to be designated in separate Magnolia Bakery Franchise Agreements (each a "**Franchise Agreement"**) pursuant to the schedule set forth in Exhibit A to this Agreement (the

"**Development Schedule**"). Each Bakery developed pursuant to this Agreement shall be located within the area designated on Exhibit A (the "**Development Area**").

B. This Agreement is not a Franchise Agreement. It does not give you the right to operate Magnolia Bakeries or use the System. This Agreement only gives you the opportunity to enter into Franchise Agreements for the operation of Magnolia Bakeries at locations approved by us in the Development Area. Each Bakery developed pursuant to this Agreement shall be established and operated in strict accordance with a separate Franchise Agreement. You have no right to use the Marks in connection with any business other than a Bakery operating under a license contained in a Franchise Agreement. We and our affiliates retain all rights not granted by this Agreement.

C. A "**Controlled Affiliate**" means any corporation, limited liability company or other entity of which you or one or more of your owners owns more than fifty percent (50%) of the total authorized ownership interests, as long as you or such owner(s) have the right to control the entity's management and policies.

1.2 Limited Exclusivity. During the term of this Agreement, we and our affiliates will not operate, or license others to operate, any new Magnolia Bakeries in the Development Area, provided that you are in compliance with the terms of this Agreement and any other agreements with us and our affiliates (including the Current Franchise Agreement) and you are current on all obligations due to us and our affiliates. You acknowledge that the development rights granted under this Agreement are non-exclusive and that, except as expressly provided in this Section 1.2, you have no exclusive territorial rights, protected territory or other right to exclude, control or impose conditions on the location or development of Magnolia Bakeries under the Marks, on any sales or distribution of products under the Marks, or on our (and our affiliates') business activities.

1.3 Reservation of Rights. We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we and our affiliates have the sole right to do any or all of the following (notwithstanding the proximity to your Development Area or any Bakery or any actual or threatened impact on sales at any of your Bakeries):

A. Operate or license others to operate at any location, during or after the term of this Agreement, any type of food service business other than Magnolia Bakeries;

B. Operate or license others to operate, during the term of this Agreement, Magnolia Bakeries at any location outside the Development Area;

C. Operate or license others to operate, after this Agreement terminates or expires, Magnolia Bakeries at any location, including within the Development Area;

D. Operate or license others to operate Magnolia Bakeries at any Non-Traditional Location (as defined below) within or outside the Development Area. The term "**Non-Traditional Location**" includes, among other things, college campuses, schools, hotels, casinos, airports and other travel related facilities; government facilities (including military bases); theme and amusement parks; recreational facilities; venues in which food service is or may be provided by a master concessionaire or contract food service provider; seasonal facilities; ghost or virtual kitchens; theaters; sporting event arenas and captive market centers; and non-food service businesses of any sort within which a branded facility is established and operated;

E. Merchandise and distribute goods and services identified by the Marks, including the Menu Items, and Merchandise, at any location through any other method or channel of distribution whether such channel of distribution is now in existence or is hereafter developed and whether at retail or wholesale, including through Non-Traditional Locations, e-commerce, grocery stores, supermarkets, club stores, and similar retail outlets;

F. Develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and

G. Purchase, be purchased by, merge or combine with, businesses that directly compete with Magnolia Bakeries.

1.4 No Subfranchising Rights. This Agreement does not give you any right to franchise or subfranchise others to operate Magnolia Bakeries. Only you (and/or your Controlled Affiliates) may develop, open, and operate the Bakeries contemplated by this Agreement and only pursuant to signed Franchise Agreements. Although you may reference your rights and obligations under this Agreement in discussions with landlords, employees, and others with whom you may deal in connection with the Bakeries, this Agreement does not grant you any rights to use, or authorize others to use, the Marks or the System in any manner. Your right to use the Marks and the System arises only under the Franchise Agreements. We or our affiliates own all rights to the Marks and the System and your use of the Marks and the System in any way, other than pursuant to signed Franchise Agreements, is an infringement of our (and our affiliates') rights and a breach of this Agreement.

1.5 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and our affiliates and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

1.6 Best Efforts. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, that you will continuously exert your best efforts to the development of the Bakeries, and that you will not engage in any other business or activity that may conflict with your obligations under this Agreement, except the operation of the Bakeries.

2 FEES

2.1 Development Fee. When you sign this Agreement, you must pay us a development fee in the amount of Nineteen Thousand Five Hundred Dollars ($19,500) for each Bakery that you agree to develop in the Development Area during the term of this Agreement ("**Development Fee**"). The total amount of the Development Fee is recorded on Exhibit A. The Development Fee is fully earned by us when this Agreement is signed and is non-refundable even if you fail to develop any Bakeries according to the Development Schedule.

2.2 Initial Franchise Fees. When you (or your Controlled Affiliate) sign the Franchise Agreement for each Bakery that you develop under this Agreement, you (or your Controlled Affiliate) will pay an initial franchise fee in the amount set forth in Exhibit A (the "**Initial Franchise Fee**"). We will apply a credit in the amount of the Development Fee paid for each Bakery to the Initial Franchise Fee owed under the Franchise Agreement that you sign for that Bakery.

3 DEVELOPMENT SCHEDULE

3.1 Development Schedule

A. To maintain your rights under this Agreement, you (and/or your Controlled Affiliates) must: (1) obtain our approval of a site and sign a Franchise Agreement for each of the agreed-upon number of Bakeries by the dates specified in the Development Schedule; and (2) have open and operating within the Development Area the agreed-upon number of Bakeries by the dates specified in the Development Schedule. You (or a Controlled Affiliate) will operate each Bakery under a separate Franchise Agreement with us. The Franchise Agreement that you (or your Controlled Affiliate) will sign for each Bakery (after the Current Franchise Agreement) will be our then-current form of Franchise Agreement. To retain your rights under this Agreement, you must operate each Bakery that you open pursuant to this

Agreement continuously throughout the term of this Agreement in full compliance with the applicable Franchise Agreement.

B. Before executing any binding letter of intent, lease, purchase agreement or other document by which you would commit to occupy or acquire a location for any Bakery that you will develop under this Agreement, you must obtain our acceptance of the site for the Bakery in accordance with the site selection procedures set forth in Section 3.2, execute and deliver to us our then-current standard form of Franchise Agreement with respect to such Bakery (which may differ from the Current Franchise Agreement), pay the initial franchise fee to us in accordance with the terms of such Franchise Agreement, and we must countersign such Franchise Agreement.

3.2 Site Selection

A. We will provide you with our site selection criteria and, as you may request, a reasonable amount of consultation with respect to the site selection process. Periodically, we may change our site selection criteria, which may include population density and composition, leasing costs, parking, visibility, character of the neighborhood, competition from other food service businesses in the area, proximity to other businesses (including businesses operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance, other physical characteristics, and site plan of the premises. At our option, you must engage our designated or approved supplier of real estate services to assist you in the site selection and/or lease negotiation process. You must submit a completed site application form prescribed by us, an option contract, letter of intent, or other evidence satisfactory to us which describes your favorable prospects for obtaining the site, photographs of the site, site layout, demographic statistics, market surveys, and other information or materials we may require (collectively, the "**Site Application Package**") for each Bakery. You should not make any binding commitments to acquire any interest in any site for a Bakery until we have accepted that site in writing.

B. Within thirty (30) days after we receive your detailed Site Application Package, we or our designee will conduct an evaluation of the proposed site(s) and accept or reject your proposed sites. At our option, we may conduct an on-site evaluation of the proposed site(s). We will not unreasonably withhold our acceptance of a site that meets our site selection criteria. In evaluating your proposed site, we will consider demographic data you provide, as well as other information regarding the characteristics of the site and trade area including visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking. We also may consider the site's proximity both to the Development Area's boundaries and to other existing or potential sites for Magnolia Bakeries located outside the Development Area. If we do not accept a proposed site in writing in this time period, we will be deemed to have rejected the site.

C. You agree that our acceptance of a site for a Bakery and any information communicated to you regarding our site selection criteria for Magnolia Bakeries does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for the Bakery or for any other purpose. Our acceptance of a site is not a representation or a promise by us that the Bakery at the site will achieve certain revenues or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that the accepted site will have higher revenues or be more profitable than a site that we rejected.

D. You agree that your decision to develop and operate a Bakery at a site that we accept is based solely on your own independent investigation of the suitability of that site for a Bakery. We assume no liability or responsibility for: (1) evaluation of the soil of the site for hazardous substances; (2) inspection of any structure at the site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("**ADA**"); or (4) compliance with any other applicable law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the site and any structures on the site are free from environmental contamination and in compliance with the requirements of the ADA.

3.3 Extensions. We may, in our sole judgment, grant you extensions on any of the prescribed deadlines in this Agreement. You must request from us an extension of the applicable deadline at least thirty (30) days before the deadline date. If we grant an extension on any deadline, you must pay us Three Thousand Dollars ($3,000) for each one (1) month extension. We will consider your extension request based on a variety of factors, including the diligence you have shown in developing the Bakeries. Extensions do not change any date(s) listed on the Development Schedule, other than the particular date(s) then being adjusted by the extension. Any extension fee paid by you is fully earned by us and non-refundable when paid.

4 YOUR ORGANIZATION AND MANAGEMENT

4.1 Your Organization

A. If you are a legal entity such as a corporation, a limited liability company or a partnership, you make the following representations and warranties: (1) you are duly organized and validly existing under the laws of the state of your formation; (2) you are qualified to do business in the state or states in which the Development Area is located; (3) execution of this Agreement and the development and operation of the Bakeries is permitted by your governing documents; and (4) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of Magnolia Bakeries.

B. If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any transfer to a business entity, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement.

4.2 Governing Documents. If you are a business entity, all interests in you are owned as set forth in attached Exhibit B. Upon request by us, you shall promptly deliver to us, as applicable, true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control and all amendments thereto. When any of these governing documents are modified or changed, you promptly shall provide copies to us. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on the records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: “Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Magnolia Bakery Area Development Agreement and Franchise Agreement(s) to which the corporation is a party.” If you are a limited liability company, each membership or management certificate shall have conspicuously endorsed upon its face the following statement: “Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Magnolia Bakery Area Development Agreement and Franchise Agreement(s) to which the limited liability company is a party.” If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held, and that further assignment or transfer thereof, is subject to all restrictions imposed on assignment by this Agreement.

4.3 Guarantee of Performance. Each of your owners who hold at least ten percent (10%) of your equity interests (“**10% Owner**”), and each of their spouses, if applicable, shall jointly and severally personally guarantee your payment and performance under this Agreement and personally bind themselves to the terms of this Agreement pursuant to the Guarantee and Assumption of Developer’s Obligations (“**Guarantee**”) attached as Exhibit C. Unless you are a publicly-held entity, all of your officers, directors, limited liability company managers, and their spouses, if applicable, also shall jointly and severally guarantee your payment and performance under this Agreement and bind themselves to the terms of this Agreement pursuant to the Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the

Guarantee. We also reserve the right to require any guarantor to provide personal financial statements to us from time to time. With respect to your owners, you acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) sign the Guarantee. Accordingly, if any owner is not an individual, we shall have the right to require individuals who have only an indirect ownership interest in you to sign the Guarantee. (By way of example, if an owner is a corporation, we have the right to require individuals who have an ownership interest in that corporation to sign the Guarantee.)

4.4 Managing Owner. You must designate one of your 10% Owners as your Managing Owner who will be the person with whom we communicate and whom will have the authority to bind you with respect to all financial, operational and legal matters related to the development of the Bakeries and this Agreement. The Managing Owner must devote full time and best efforts to supervising the development and operation of the Bakeries and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement and the Franchise Agreements for the Bakeries. You must designate a replacement approved by us within thirty (30) days after your Managing Owner ceases to qualify as the Managing Owner.

5 COVENANTS

5.1 Confidentiality

A. You acknowledge and agree that: (1) we own all right, title and interest in and to the System; (2) the System includes trade secrets and confidential and proprietary information and know-how that gives us a competitive advantage; (3) we have taken all measures appropriate to protect the trade secrets and the confidentiality of the proprietary information and know-how of the System; (4) all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; (5) you have no right to disclose any part of the System to anyone who is not your employee; (6) you will disclose to your employees only those parts of the System that an employee needs to know; (7) you will have a system in place to ensure that your employees keep confidential our trade secrets and confidential and proprietary information, and, if requested by us, you shall obtain from those of your employees designated by us an executed confidentiality and non-disclosure agreement in the form prescribed by us; (8) by entering into this Agreement, you do not acquire any ownership interest in the System; and (9) your use or duplication of the System or any part of the System in any other business, or disclosure of any part of the System to others for use or duplication in any other business, would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

B. You shall not, during the term of this Agreement or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that we or our affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

5.2 Restrictions On Competition

A. You acknowledge and agree that: (1) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and other confidential information from us and/or our affiliates regarding the development, operation, product preparation and sale, market and operations research, advertising and marketing plans and strategies, purchasing, sales and marketing methods and techniques owned by us and our affiliates; (2) the know-how regarding the System and the opportunities, associations and experience acquired by you pursuant to this Agreement are of substantial value; (3) in developing the System, we and our affiliates have made substantial investments of time, effort, and money; (4) we would be unable adequately to protect the System and its trade secrets and confidential and

proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among operators of Magnolia Bakeries if franchisees were permitted to engage in the activities described in this Section 5.2 or to hold interests in the businesses described in this Section 5.2; and (5) the restrictions on your right to hold interests in, or perform services for, the businesses described in this Section 5.2 will not unduly limit your activities.

B. You covenant and agree that, except as we otherwise approve in writing, during the term of this Agreement, and for a continuous period of two (2) years following the expiration, transfer, non-renewal, or termination of this Agreement or the date on which all persons restricted by this Section 5.2 begin to comply with this Section 5.2, whichever is later, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

(1) Own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, either directly or indirectly, any "**Competing Business**", which is defined as any bakery, restaurant, café, or food service operation offering or featuring bakery dessert or related menu items which are the same as or similar to those offered at any Magnolia Bakery operating pursuant to the System, including banana pudding, cupcakes, cakes, icebox desserts, pies, cheesecakes, muffins, cookies, brownies, bars, and squares. During the term of this Agreement, there is no geographical limitation on this restriction. Following the expiration, transfer, non-renewal or termination of this Agreement, this restriction shall apply to any Competing Business located within the Development Area, within six (6) miles of the border of the Development Area, or within a six (6) mile radius of any then-existing Magnolia Bakery; or

(2) Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

5.3 Exception for Publicly Traded Stock. The restrictions contained in Section 5.2.B.(1) will not apply to ownership by you of less than a five percent (5%) beneficial interest in the equity securities of any publicly-held corporation.

5.4 Owners and Employees. Your owner(s) identified in Exhibit B that sign the Guarantee attached to this Agreement as Exhibit C will agree to be bound personally by the provisions of this Section 5, provided that, as to them, the time period in Section 5.2.B will run from the expiration, transfer, non-renewal or termination of this Agreement or from the termination of the individual's relationship with you, whichever occurs first. At our request, you must obtain signed agreements similar in substance to this Section 5 (including agreements applicable upon termination of a person's relationship with you) from your officers, directors, and owners. Each agreement required by this Section 5.4 must be in a form we approve and specifically identify us as a third-party beneficiary with the independent right to enforce the agreement.

5.5 Enforcement

A. We have the right, in our sole discretion, to reduce the scope of any restriction in Section 5.2 by giving you written notice and you agree to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 12.

B. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 5.

C. You acknowledge that your violation of the terms of this Section 5 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 5. Injunctive relief will be in addition to any other remedies we may have.

D. If you or any other person bound by this Section 5 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a judicial proceeding, the obligations under the breached restriction will continue in effect for a period ending two (2) years after the date that you or the person begin to comply with the order enforcing the restriction.

6 TRANSFER

6.1 By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations under this Agreement. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

6.2 By You to a Third Party. You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if you are a business entity, on the business skill, financial capacity, and personal character of your owners and management). Therefore, you may not sell, transfer, assign, divide, or otherwise dispose of this Agreement or any of your obligations, duties, rights or privileges under this Agreement under any circumstances. None of your owners as of the Effective Date may sell, transfer, assign, or otherwise dispose of their ownership interests in you under any circumstances as long as this Agreement is in effect. Any such transaction will be void and of no effect and will constitute a breach of this Agreement.

6.3 Transfers to an Entity Wholly Owned by You. If you desire to transfer this Agreement to a corporation or limited liability wholly owned by you, you must obtain our prior written consent, which will be conditioned on the following: (1) the entity must be newly organized; (2) prior to the transfer, we must receive a copy of the documents specified in Section 4.2; and (3) you must own all voting securities of the newly formed corporation (or membership interests of the newly formed limited liability company) or, if you are owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the transfer.

6.4 Death, Incapacity or Bankruptcy. If you or any owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest to a third party approved by us. Such transfers, including transfers by devise or inheritance, shall be subject to the conditions set forth by us similar to those required in connection with an assignment under the Magnolia Bakery Franchise Agreement. For purposes of this Section 6.4, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (1) for a period of thirty (30) or more consecutive days, or (2) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of transfer set forth in this Section 6.4, the executor may transfer the decedent's interest to another successor that we have approved. If an interest is not disposed of under this Section 6.4 within six (6) months after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 7.3.

7 TERM AND TERMINATION

7.1 Term. The term of this Agreement begins on the Effective Date and expires on the earlier of the date that you open the final Bakery to be developed under this Agreement or the opening deadline for that Bakery as set forth in the Development Schedule.

7.2 Termination without Notice. You will be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice to you, if you become

insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if you are dissolved.

7.3 Termination without Cure Period. If any of the following events of default occurs, we may terminate this Agreement without providing you any opportunity to cure the default, effective immediately upon receipt of written notice by you:

A. You fail to satisfy your development obligations under the Development Schedule.

B. You, your owners, your employees or your independent contractors do business with third parties in violation of any Anti-Terrorism Laws and/or the Foreign Corrupt Practices Act. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

C. There is a material breach by you of any covenant or obligation under Section 5.

D. You make an unauthorized transfer of any direct or indirect interest in this Agreement.

E. We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement.

F. You knowingly falsify any report required to be furnished to us, make any material misrepresentation in your dealings with us, or fail to disclose any material facts to us.

G. You, your Managing Owner, or any of your 10% Owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates or the System.

H. You fail to pay when due any amount owed to us or our affiliates, any lender that has provided financing under an arrangement with us, any creditor or supplier of a Magnolia Bakery or any taxing authority for federal, state or local taxes (other than amounts subject to a bona fide dispute through appropriate proceedings), and you do not correct such failure within five (5) days after written notice is delivered to you.

I. You, your Managing Owner or any of your 10% Owners: (1) materially misuse or make unauthorized use of the Marks or our copyrighted materials; (2) commit any act or take any action that impairs the goodwill of the Marks; (3) use our copyrighted materials or other proprietary System know-how at any business owned or operated by you or your 10% Owners other than a Magnolia Bakery; or (4) fail to cure any breach or default under this Agreement that materially impairs or can be expected to impair the goodwill associated with the Marks.

J. You, your Controlled Affiliates, your Managing Owner, or any 10% Owner: (1) remain in default beyond the applicable cure period under any other agreement with us or our affiliates (provided that, if the default is not by you, we shall provide to you written notice of the default and a fifteen (15) day period to cure the default).

K. We terminate any Franchise Agreement between us and you (or your Controlled Affiliates) for a Magnolia Bakery, regardless of where it is located, in compliance with its terms.

7.4 Termination Following Expiration of Cure Period

A. Except as otherwise provided above in Sections 7.2 and 7.3 above, if you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement, the Manual, or otherwise in writing, we may terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 11 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

B. Notwithstanding the provisions of the preceding Section 7.4.A, if you default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within five (5) days after receiving written notice of default (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the five (5) day period or such longer period as applicable law may require.

7.5 Effect of Expiration or Termination. Upon expiration or termination of this Agreement (regardless of the reason for termination):

A. Any and all rights granted to you under this Agreement will immediately terminate; however, you will not be relieved of any of your obligations, debts or liabilities under this Agreement, including any debts, obligations or liabilities which have accrued before such termination.

B. You and your Controlled Affiliates will have no further rights to develop and open Bakeries in the Development Area, except that you (and your Controlled Affiliates) may develop and open any Bakeries for which you (or your Controlled Affiliates) have executed Franchise Agreements prior to the date of expiration or termination of this Agreement and continue to operate Bakeries that are open and operating as of the date this Agreement expires or terminates.

C. We and our affiliates will have the right to operate, and authorize others to operate, Magnolia Bakeries the physical premises of which are located within the Development Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Development Area without any restrictions whatsoever, subject only to your (and/or your Controlled Affiliates') rights under existing Franchise Agreements.

D. We will retain the Development Fee payable pursuant to Section 2.1 of this Agreement.

7.6 Other Remedies Upon Default

A. In addition to and without limiting our other rights and remedies under this Agreement, upon the occurrence of any of the events that give rise to our right to terminate this Agreement, we may, at our sole option and upon delivery of written notice to you, elect to take any or all of the following actions without terminating this Agreement:

(1) temporarily suspend your rights to develop additional Bakeries in any part of the Development Area;

(2) temporarily or permanently reduce the size of the Development Area, in which event the restrictions on us and our affiliates under Section 1.2 will not apply in the territory which is no longer part of the Development Area and we and our affiliates may engage, and authorize third parties to engage, in any business activities we or they deem appropriate, whether under the Marks or other trademarks, within that territory, including establishing and operating (and granting rights to others to establish and operate) Magnolia Bakeries the physical premises of which are located in that territory; and/or

(3) extend the time of the Development Schedule for any period of time that we determine.

B. Our exercise of our rights under this Section 7.6 will not be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement. Our exercise of these rights will not constitute an actual or constructive termination of this Agreement, nor will it be our sole or exclusive remedy for your default. If we exercise any of our rights under this Section 7.6, we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

7.7 No Waiver. Termination of this Agreement by us shall not constitute an election of remedies by us. The exercise of the rights granted under this Section 7 are in addition to, and not in lieu of, any and all other rights and remedies available to us at law, in equity or otherwise, including the right to an injunction as set forth in Section 5.5.C, all of which are cumulative.

8 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

8.1 Independent Contractor. This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. While this Agreement is in effect, you must hold yourself out to the public as an independent contractor developing the Bakeries pursuant to an area development agreement from us. This Agreement does not authorize you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not be deemed liable as a result of any such action, nor will we be liable by reason of your act or omission in the development or operation of the Bakeries, or for any claim or judgment arising therefrom against you or us.

8.2 Indemnification

A. You and your Guarantors must defend, indemnify and hold harmless, us and our parent, affiliates, subsidiaries and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, "**Indemnified Parties**") from and against all Losses (as defined below) which any of the Indemnified Parties may suffer, sustain or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of your development and operation of the Bakeries, your conduct of business under this Agreement, your breach of this Agreement or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice will not release you from your indemnification obligations under this section except to the extent you are actually and materially prejudiced by such failure.

B. You will have the right, upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses (as defined below) resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (1) the Indemnified Party will have been advised by counsel that there are one or more legal or equitable

defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, or (2) you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and you will pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense.

C. You or the Indemnified Party (as the case may be) shall keep you or the Indemnified Party (as the case may be) reasonably apprised of, and shall respond to any reasonable requests concerning, the status of the defense of any claim and shall cooperate in good faith with each other with respect to the defense of any such claim. You shall not, without the prior written consent of the Indemnified Party, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim that is being defended in good faith by you in accordance with the terms of this section will be settled by the Indemnified Party without your prior written consent. Notwithstanding anything to the contrary herein, if a claim involves the Marks, you agree that we will have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

D. You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

E. For purposes of this Section 8.2, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation and alternative dispute resolution.

F. Your obligations in this Section 8.2 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 8.2. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.2.

9 APPROVALS AND WAIVERS

9.1 Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

9.2 No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

9.3 No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of

any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

10 FORCE MAJEURE

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of any natural disaster, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, pandemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby ("Force Majeure") that cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration. Your inability to obtain financing (regardless of the reason) shall not constitute Force Majeure.

11 NOTICES

Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be made effective by giving fifteen (15) days written notice of such change to the other party. We may provide you with routine information, invoices, updates to the System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, or by making such information available to you on the Internet, an extranet, or other electronic means.

12 ENTIRE AGREEMENT

The parties acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in any Franchise Disclosure Document that we provided to you.

13 DISPUTES

13.1 Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles. Nothing in this Section 13.1 is intended, or shall be deemed, to make any New York law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

13.2 Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed, in the jurisdiction where you reside or do business, where the Development Area is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

13.3 Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

13.4 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, during, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

13.5 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled to by law or this Agreement to exercise or enforce.

13.6 **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION LAWSUITS AND JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY. THE PARTIES ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES, IF ANY. IN ADDITION, THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS AND THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, AND/OR COUNTERCLAIM BROUGHT BY EITHER PARTY.**

13.7 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including the failure to comply fully with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

14 SEVERABILITY AND CONSTRUCTION

14.1 Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise enforceable. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

14.2 Counterparts. This Agreement may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Agreement by electronic

transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Agreement.

14.3 Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

14.4 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

14.5 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days.

14.6 Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

14.7 No Implied Third-Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

14.8 References. Each reference in this Agreement to a corporation or partnership also shall be deemed to refer to a limited liability company and any other entity or organization similar thereto if applicable. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto if applicable.

14.9 Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from (1) striking any portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (2) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

14.10 Construction. In this Agreement, the words “include”, “includes”, and “including” shall be deemed to be followed by the phrase “without limitation”.

14.11 Best Interests of System. Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. “Best interests” includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (1) there may have been other alternative decisions or actions that could have been taken; (2) our decision or the action taken promotes our own financial interest; or (3) our decision or the action may apply differently to different franchisees and/or to any Magnolia Bakeries that we or our affiliates operate. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

FRANCHISOR:
MAGNOLIA BAKERY INTERNATIONAL, LLC
a Delaware limited liability company

By:_____
Print Name:_____
Title:_____

EFFECTIVE DATE: _____

Notice Address:

244 West 54th Street, Suite 501
New York, NY 10019

DEVELOPER:

_____,
a _____

By:_____
Print Name:_____
Title:_____
Date: _____

Notice Address:

_____

_____

EXHIBIT A TO MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

DEVELOPMENT INFORMATION

Developer: _____

Development Area: _____

_____

The Development Area may also be depicted on a map and, if so, that map will be attached to this Exhibit A. Any boundaries contained in the description of the Development Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

Development Schedule: You agree to sign Franchise Agreements for and to open _____ (__) new Bakeries within the Development Area according to the following Schedule:

SITE ACCEPTED BY FRANCHISOR AND FRANCHISE AGREEMENTS TO BE EXECUTED BY (DATE)	BAKERY OPENING DEADLINE	CUMULATIVE MINIMUM NUMBER OF NEW BAKERIES TO BE OPEN AND OPERATING NO LATER THAN THE BAKERY OPENING DEADLINE (IN PREVIOUS COLUMN)
		1*
		2
		3

* First Franchise Agreement signed with Development Agreement. The first Bakery must be a Flagship (Full-Bake) Store.

Development Fee: The Development Fee and the Initial Franchise Fee that you will pay for each Bakery that you develop under this Development Agreement are set forth in the table below. [Drafting Note: Update Development Schedule and the table below for the development of more than three Bakeries and delete this bracket.]

Bakery No.	Development Fees	Initial Franchise Fee Due for each Bakery	Balance of Initial Franchise Fee to be Paid When You Sign The Franchise Agreement After Applying Development Fee Credit
1	$19,500	$49,000	$29,500
2	$19,500	$39,000	$19,500
3	$19,500	$39,000	$19,500
Fees due when you sign this Development Agreement and the Current Franchise Agreement for your First Bakery	$_____ (Development Fees) + $29,500 (Balance of Initial Franchise Fee for First Bakery) = $_____		

EXHIBIT B TO MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

OWNERSHIP INTERESTS

Developer: _____

Form of Ownership. Developer is a _____ incorporated or formed on _____ in the state of _____.

Owners. The following list includes the full name of each person who is an owner of a legal or beneficial interest in Developer, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Name	Home Address	Percentage and Description of Ownership Interest

[If Developer consists of individuals, delete the above and use the below:

Developer Names and Home Addresses:

Name	Home Address

Managing Owner. Developer's Managing Owner is: _____

EXHIBIT C TO MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

GUARANTEE AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Magnolia Bakery Area Development Agreement ("**Agreement**") entered into concurrently with this Guarantee by **Magnolia Bakery International, LLC** ("**Franchisor**") and _____ ("**Developer**"), the undersigned ("**Guarantors**"), each of whom is an officer, director, limited liability company manager, or 10% Owner of Developer or the spouse thereof, hereby personally and unconditionally agree as follows:

1. Guarantee To Be Bound By Certain Obligations. Guarantors hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the covenants and restrictions contained in Section 5 (Covenants) of the Agreement.

2. Guarantee and Assumption of Developer's Obligations. Guarantors hereby: (1) guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Developer and any assignee of Developer's interest under the Agreement shall: (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) punctually pay all other monies owed to Franchisor and/or its affiliates; (2) agree to be personally bound by each and every provision in the Agreement including the provisions of Sections 5 (Covenants) and 8.2 (Indemnification); and (3) agree to be personally liable for the breach of each and every provision in the Agreement.

3. General Terms and Conditions. The following general terms and conditions shall apply to this Guarantee:

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right s/he may have to require that an action be brought against Developer or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which s/he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: (1) her/his direct and immediate liability under this Guarantee shall be joint and several; (2) s/he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Developer to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Franchisor. In addition, if any of the undersigned ceases to be a 10% Owner, an officer, director, or limited liability company manager of Developer or own any interest in Developer, that person (and his spouse, if the spouse is also a guarantor) agrees that the obligations under this Guarantee shall continue

to remain in force and effect unless Franchisor in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 5.2 (Restrictions on Competition) of the Agreement shall remain in force and effect for a period of two (2) years after any such release by Franchisor. A release by Franchisor of any of the undersigned shall not affect the obligations of any other Guarantor.

If Franchisor brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Franchisor's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guarantee.

Section 13 (Disputes) of the Agreement is incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee shall have the meaning given them in the Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature, under seal.

GUARANTORS:

Date: _____

_____
Print Name: _____
Home Address: _____

Date: _____

_____
Print Name: _____
Home Address: _____

Date: _____

_____
Print Name: _____
Home Address: _____

Date: _____

_____
Print Name: _____
Home Address: _____

EXHIBIT D TO MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT

FORM OF NON-DISCLOSURE AGREEMENT

(to be signed by Developer and its personnel)

THIS NON-DISCLOSURE AGREEMENT (this "**Agreement**") is made this _____ day of _____, 20___, by and between _____ ("**Developer**") and _____, who is an owner, manager, member, or partner of, or a person in a managerial position with, Developer ("**Member**").

RECITALS:

Magnolia Bakery International, LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of retail stores specializing in hand crafted classic American desserts, coffee, tea and other beverages and related retail merchandise items (each, a "**Magnolia Bakery**").

Franchisor identifies Magnolia Bakeries by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark "Magnolia Bakery" and such other trade names, service marks, and trademarks as Franchisor may hereafter designate for use in connection with the System (the "**Marks**");

Franchisor and Developer have executed a Magnolia Bakery Area Development Agreement ("**Development Agreement**") granting Developer the right to develop Magnolia Bakeries (the "**Bakeries**") located within the Development Area described in the Development Agreement under the terms and conditions of the Development Agreement; and

Member, by virtue of his or her position with Developer, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality agreement that Developer is bound by.

NOW THEREFORE, in consideration of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Developer's operation under the terms of the Development Agreement. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Member can demonstrate came to his or her attention before disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Developer, had become or later becomes a part of the public domain, through publication or communication by others.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason,

then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. **Delay**. No delay or failure by Franchisor or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. **Entire Agreement**. This Agreement constitutes the entire understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior and subsequent Agreements or understanding, oral or in writing, between the parties hereto in connection with the subject matter hereof. In the event of any conflict between this Agreement and any other agreement between the parties hereto, this Agreement shall control.

7. **Notices.** All notices pursuant to this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the party at the address shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing.

8. **Third-Party Beneficiary**. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

[*Form document not to be signed with the Development Agreement*.]

IN WITNESS WHEREOF, Developer and Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

DEVELOPER	**MEMBER**
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____
Notice Address:	Notice Address:
_____	_____
_____	_____

EXHIBIT D

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EXHIBIT E

FINANCIAL STATEMENTS

Magnolia Bakery International LLC

Financial Statements and Independent Auditor's Report

December 28, 2025, December 29, 2024 and December 31, 2023

CohnReznick

Magnolia Bakery International LLC

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Independent Auditor's Report

To the Board of Directors
Magnolia Bakery International LLC

Opinion

We have audited the financial statements of Magnolia Bakery International LLC, which comprise the balance sheets as of December 28, 2025, December 29, 2024, and December 31, 2023, and the related statements of income, member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Magnolia Bakery International LLC as of December 28, 2025, December 29, 2024, and December 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Magnolia Bakery International LLC 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CohnReznick LLP

Melville, New York
April 23, 2026

Magnolia Bakery International LLC

Balance Sheets
December 28, 2025, December 29, 2024, and December 31, 2023

Assets

	2025	2024	2023
Current assets			
Cash	$ 1,216,438	$ 135,905	$ 141,143
Accounts receivable	497,014	517,683	242,905
Due from affiliates	-	-	3,874,834
Prepaid expenses and other assets	16,029	-	9,750
Total current assets	1,729,481	653,588	4,268,632
Property and equipment, net	-	268	712
Total assets	$ 1,729,481	$ 653,856	$ 4,269,344

Liabilities and Member's Equity (Deficit)

Current liabilities			
Accounts payable	$ 23,104	$ 12,337	$ 33,138
Accrued expenses	65,990	109,547	30,521
Due to affiliates	213,976	-	-
Current portion of deferred revenue	184,559	161,026	117,476
Total current liabilities	487,629	282,910	181,135
Deferred revenue, net of current portion	2,320,575	1,200,224	1,190,145
Total liabilities	2,808,204	1,483,134	1,371,280
Commitments and contingencies			
Member's equity (deficit)	(1,078,723)	(829,278)	2,898,064
Total liabilities and Member's equity (deficit)	$ 1,729,481	$ 653,856	$ 4,269,344

See Notes to Financial Statements.

Magnolia Bakery International LLC

Statements of Income
Years Ended December 28, 2025, December 29, 2024, and December 31, 2023

	2025	2024	2023
Franchising revenue	$ 2,046,756	$ 1,764,351	$ 1,523,356
Costs and expenses			
Franchise cost of sales	-	-	-
Payroll expenses	1,127,467	418,586	269,957
Other operating costs and expenses	643	4,150	6,894
General and administrative expenses	1,219,094	563,090	422,792
Depreciation and amortization	268	444	256
(Gain) on termination of franchise rights	(21,635)	-	(291,453)
Total	2,325,837	986,270	408,446
Operating (loss) income	(279,081)	778,081	1,114,910
Other income			
Gain on legal settlement	-	(128,552)	-
Other income	(475)	-	(21)
Total	(475)	(128,552)	(21)
Net (loss) income	$ (278,606)	$ 906,633	$ 1,114,931

See Notes to Financial Statements.

Magnolia Bakery International LLC

Statements of Member's Equity (Deficit)
Years Ended December 28, 2025, December 29, 2024, and December 31, 2023

	Member's equity (deficit)
Balance at December 25, 2022	$ 1,723,225
ASC 326	59,908
Net income	1,114,931
Balance at December 31, 2023	2,898,064
Distributions	(4,633,975)
Net income	906,633
Balance at December 29, 2024	(829,278)
Contributions	29,161
Net loss	(278,606)
Balance at December 28, 2025	$ (1,078,723)

See Notes to Financial Statements.

Magnolia Bakery International LLC

Statements of Cash Flows
December 28, 2025, December 29, 2024, and December 31, 2023

	2025	2024	2023
Cash flows from operating activities			
Net (loss) income	$ (278,606)	$ 906,633	$ 1,114,931
Adjustments to reconcile net (loss) income			
to net cash provided by (used in) operating activities			
Depreciation and amortization	268	444	256
Gain on termination on franchise rights	21,635	-	(291,453)
Changes in operating assets and liabilities			
Accounts receivable	23,591	(274,778)	(50,782)
Due from related parties	213,976	-	(820,029)
Prepaid expenses and other current assets	(16,029)	9,750	(7,862)
Accounts payable	10,767	(20,801)	32,072
Accrued expenses	(43,557)	79,026	16,516
Deferred revenue	1,119,327	53,629	(27,970)
Net cash provided by (used in) operating activities	1,051,372	753,903	(34,321)
Cash flows from financing activities			
Contributions (distributions) paid	29,161	(759,141)	-
Net cash provided by (used in) financing activi	29,161	(759,141)	-
Net (decrease) increase in cash	1,080,533	(5,238)	(34,321)
Cash, beginning	135,905	141,143	175,464
Cash, end	$ 1,216,438	$ 135,905	$ 141,143
Supplemental disclosures of cash flow information:			
Interco. receivable converted to distribution (contribution)	$ -	$ 3,874,834	$ -

See Notes to Financial Statements.

Note 1 - Business and summary of significant accounting policies

Magnolia Bakery International LLC (the "Company") licenses the Magnolia Bakery concept to international franchisees.

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's reporting currency is the United States dollar.

Fiscal year

The Company uses a 52- or 53-week fiscal year ending on the last Sunday in December. The year ended December 28, 2025, was a 52-week year. The year ended December 29, 2024, was a 52-week year. The year ended December 31, 2023, was a 53-week year.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The accounting estimates that require management's most difficult and subjective judgments include projected cash flows, allowances for potential bad debts on receivables and other matters. Because of such estimates, actual results may differ from these estimates.

Accounts receivable

Accounts receivable is primarily comprised of amounts due from franchisees. As of December 25, 2022, accounts receivables was approximately $257,000.

Franchise licensing fees and royalty fees

Licensing revenues include initial territory fees, training fees, location opening fees and ongoing sales-based royalty fees from licensed locations. Generally, the licenses granted to develop, open and operate each location in a specified territory are the predominant goods or services transferred to the licensee in the Company's contracts, and represent distinct performance obligations. Ancillary promised services, such as training and assistance during the initial opening of a location, are typically separated from the licenses and considered as a distinct performance obligation. The Company determines the transaction price for each contract, which is comprised of the initial territory fee and an estimate of the total location opening fees expected to be entitled. The calculation of total opening fees included in the transaction price requires judgment, as it is based on an estimate of the number of locations the Company expects the licensee to open. The transaction price is then allocated equally to each location expected to open. The training and related fees are recognized over the period that the service is provided to the franchisee. The performance obligations are satisfied over time, starting when a location opens, through the end of the term of the license. Because the Company is transferring licenses to access intellectual property during a contractual term, revenue is recognized on a straight-line basis over the license term. Generally, payment for the initial territory fee is received upon execution of the licensing agreement and payment for the restaurant opening fees are received either in advance of or upon opening the related restaurant. These payments are initially deferred and recognized as revenue as the performance obligations are satisfied, which occurs over a long-term period. Revenue from sales-based royalties is recognized as the related sales occur. Royalty fee revenue at a point in time and license and development fees revenue recognized over time were as follows

for the years ended December 28, 2025, December 29, 2024, and December 31, 2023, respectively:

	December 28, 2025	December 29, 2024	December 31, 2023
Royalty fee revenue	$ 1,865,423	$ 1,602,981	$ 1,420,385
License and development fee revenue	181,333	161,370	102,971
Total franchise fees	$ 2,046,756	$ 1,764,351	$ 1,523,356

Deferred revenue
Deferred revenue represents unearned franchise fees and commission rights fees for which the Company has not substantially performed or satisfied all material services or conditions. The Company recognizes this revenue when the fees are earned. Deferred revenue was $1,751,493 as of December 25, 2022.

Property and equipment and leasehold improvements
Furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (three to five years). Routine expenditures for repairs and maintenance are charged to expense when incurred. Major replacements and improvements are capitalized. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of income.

Long-lived assets
Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including estimated future sales growth and estimated profit margins are included in this analysis. No asset impairment was recognized during the years ended December 28, 2025, December 29, 2024, and December 31, 2023.

Income taxes
The Company is not a taxpaying entity for federal or state income tax purposes. Accordingly, no federal or state income tax expenses have been recorded in the accompanying financial statements. Income or loss of the Company is allocated to the members for inclusion in their individual income tax returns.

The Company has an income tax liability in certain foreign jurisdictions for the funds it collects from international franchisees. The foreign jurisdictions do not have net operating loss carryforwards, therefore there is no deferred tax expense for the Company's foreign income tax expense.

Subsequent events
The Company has evaluated subsequent events through April 23, 2026, which is the date the financial statements were available to be issued.

Note 2 - Property and equipment

Property and equipment, net at December 28, 2025, December 29, 2024 and December 31, 2023 consists of the following:

	December 28, 2025	December 29, 2024	December 31, 2023
Furniture, fixtures and equipment	$ 2,367	$ 2,367	$ 2,367
Less accumulated depreciation and amortization	(2,367)	(2,099)	(1,655)
Total	$ -	$ 268	$ 712

Depreciation expense related to property and equipment for the years ended December 28, 2025, December 29, 2024, and December 31, 2023, was approximately $268, $444 and $256 respectively.

Note 3 - Accrued expenses

Accrued expenses at December 28, 2025, December 29, 2024 and December 31, 2023 consist of the following:

	December 28, 2025	December 29, 2024	December 31, 2023
Accrued benefits	$ 3,096	$ 5,158	$ 5,220
Other accrued liabilities	62,894	104,389	25,301
Total	$ 65,990	$ 109,547	$ 30,521

Note 4 - Commitments and contingencies

Legal proceedings

The Company is, from time to time, involved in litigation incidental to the conduct of its business. In January 2024, the Company engaged legal counsel to file a Notice of Arbitration with the International Chamber of Commerce's International Court of Arbitration (the "ICC") seeking to have the ICC facilitate the arbitration of claims asserted by the Company against one of its former master licensees, and licensee's personal guarantors under the licensee's master license agreement for breach of contract. In February 2024, the licensee responded to the Notice of Arbitration, and asserted counterclaims for breach of the implied covenant of good faith and fair dealing and tortious interference with business relations relating to alleged actions the Company took that impeded licensee's ability to perform under the Master License Agreement (the "MLA"). During 2024, the matter was settled in favor of the Company, and they received legal proceeds of $128,552, which is recorded in gain on legal settlement on the statements of income for the year ended December 29, 2024.

The Company is, from time to time, a party to litigation arising in the ordinary course of conducting its business. In the opinion of management, such litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 5 - Deferred revenue

Franchising

The Company executes franchise or license agreements that set the terms of its arrangement with each franchisee or licensee. The franchise and certain license agreements require the franchisee or licensee to pay initial, nonrefundable fees. Domestic initial franchise fees including development fees begin at $88,000 for three locations with additional fees for additional locations. International fees including territory fees currently range from approximately $50,000 to $600,000. All franchise locations have continuing royalty fees based upon a percentage of sales.

Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise and license agreements are charged to general and administrative expenses as incurred. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, systems implementation and design of a quality control program. The Company recognizes initial fees that are directly related to costs such as training fees when the associated costs are incurred. Development fees are recognized over the life of the agreement which ranges from five to 15 years. License fees are recognized over the term of the agreement which ranges from five to 12 years.

Initial fees included in revenue for the years ended December 28, 2025, December 29, 2024 and December 31, 2023, were approximately $176,000, $145,000, and $118,000, respectively.

Deferred revenue at December 28, 2025, December 29, 2024 and December 31, 2023 represents that portion of total revenue from initial franchise sales not earned. Initial fees deferred as of December 28, 2025, December 29, 2024 and December 31, 2023 are approximately $2,543,000, $1,361,000 and $1,307,000 respectively. Deferred revenue is expected to be earned through 2038.

As of December 28, 2025, December 29, 2024, and December 31, 2023, respectively, information about the number of franchised stores is as follows:

	December 28, 2025	December 29, 2024	December 31, 2023
Franchised stores			
In operation as of the beginning of the year	34	25	30
Store openings	8	9	7
Store closures	(2)	-	(12)
In operation as of year end	40	34	25
Future locations under development agreement	9	2	5

As of the date of the financial statements, 2 franchised stores have opened in 2026.

Gain or loss on termination of franchisees

In 2025, the Company terminated the Jordan franchisee. The balance due from the former franchisee of approximately $3,000 as of December 28, 2025, was written off to gain on termination. The deferred revenue balance of the former franchisee of approximately $25,000 was also written off to gain on termination. The termination resulted in a net gain on termination of approximately $22,000 in the accompanying statements of income for the year ended December 28, 2025.

In 2023, the Company terminated the Saudi Arabia franchisee. The balance due from the former franchisee of approximately $124,000 as of December 31, 2023, was written off to gain on termination. The deferred revenue balance of the former franchisee of approximately $416,000 was also written off to gain on termination. The termination resulted in a net gain on termination of approximately $291,000 in the accompanying statements of income for the year ended December 31, 2023.

Note 6 - Related-party transactions

The Company may from time to time share resources and certain expenses with other subsidiaries under Magnolia Group Holdings, Inc., the parent company of Magnolia Bakery International LLC. For example, certain members of management or other personnel of the affiliated organization may perform services for the Company and the Company's management personnel may perform services for these affiliates. Management believes its practices are prudent and the expenses recognized by the Company on the accompanying statements of income represent valid expenditures associated with the Company's operating activities. During the year ended December 29, 2024, the Company made the determination that the amount due from the Parent would be distributed by the Company to the Parent and its affiliates, totaling $1,142,438 recognized as member's distributions. During the year ended December 28, 2025, there was a contribution to the parent and its affiliates, totaling $29,161 recognized as contributions.

	December 28, 2025	December 29, 2024	December 31, 2023
Parent			
Due (to) from related parties	$ (213,976)	$ -	$ 3,515,741
Affiliates			
Due from related parties	$ -	$ -	$ 359,093

Note 7 - Risks and uncertainties

During fiscal 2025, 2024 and 2023, the Company's operating results have been impacted by geopolitical and other macroeconomic factors, leading to increased commodity and wage inflation and other increased costs. With geopolitical and macroeconomic events, this could lead to shifts in consumer behavior, wage inflation, staffing challenges, product and services cost inflation and disruptions in the Company's supply chain. If these factors significantly impact the Company's cash flow in the future, it may again implement mitigation actions such as increasing borrowings and or modifying its operating strategies. Some of these measures may have an adverse impact on the Company's business, including possible impairments of assets.

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EXHIBIT F

LIST OF FRANCHISEES

MAGNOLIA BAKERY
LIST OF FRANCHISED MAGNOLIA BAKERIES AS OF DECEMBER 28, 2025

Franchisee	Address	City	ST	Zip	Phone
LaGuardia USA, LLC	LaGuardia Airport, Terminal C, Concourse D	Queens	NY	11371	(610) 809-6319

LIST OF FRANCHISEES THAT HAVE SIGNED A FRANCHISE AGREEMENT BUT THE FRANCHISED BUSINESS IS NOT YET OPEN AS OF DECEMBER 28, 2025

Franchisee	Address or Area	City	ST	Zip	Phone
BPR Mag, LLC	Fairfield County, CT	Greenwich	CT	06902	(609) 712-1343
SweetNess Ventures, LLC	Louisville, KY	Louisville	KY	40202	(502) 262-7291
AVR Sweets, LLC	Detroit, MI	Detroit	MI	-	(248) 251-2819
Candela Klein Foods, LLC	Philadelphia, PA	Mt. Laurel	NJ	08054	(973) 954-1522
Seester & Co., LLC	Las Vegas, NV	Las Vegas	NV	-	(702) 370-1787
Archangel Michael Bakery, LLC	Staten Island, NY	Staten Island	NY	10312	(262) 271-2972
Haleo Bakery, Inc.	Cleveland, OH	Cleveland	OH	44113	(330) 465-0621
Connemara Partners, LLC	1895 E Rodeo Walk Dr. Unit B-101	Holladay	UT	84117	(801) 450-1103
Connemara Partners, LLC	1400 Foothill Dr. Suite 104	Salt Lake City	UT	84108	(801) 450-1103

LIST OF FRANCHISEES THAT CLOSED, TRANSFERRED OR HAD A FRANCHISE AGREEMENT TERMINATED OR NOT RENEWED AS OF DECEMBER 28, 2025

None.

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

EXHIBIT G

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62701 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 5th Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** New York Secretary of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Insurance Commissioner North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505-0510 (701) 328-2910
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62701 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 5th Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT H

STATE SPECIFIC ADDITIONAL FDD DISCLOSURES

ADDENDUM TO MAGNOLIA BAKERY INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law, the Franchise Disclosure Document for Magnolia Bakery International, LLC for use in the State of California is amended to include the following:

1. The following paragraphs are added to the State Cover Page of the disclosure document:

OUR WEBSITE, WWW.MAGNOLIABAKERY.COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA..GOV.

THE 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. The following is added to the Item 3 of the disclosure document pursuant to the regulations promulgated under the California Franchise Investment Law:

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

3. The following paragraphs are added at the end of Item 17 of the disclosure document pursuant to regulations promulgated under the California Franchise Investment Law:

> California Law Regarding Termination, Transfer and Non-renewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
>
> Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)
>
> Post-Termination Non-Competition Covenants. 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.
>
> Liquidated Damages. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code 1671, certain liquidated damages clauses are unenforceable.
>
> Governing Law. The Franchise Agreement requires application of the laws of the State of New York. This provision may not be enforceable under California Law.
>
> Litigation. The Franchise Agreement requires litigation. The litigation will occur in New York with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).

4. The following statements are added to Item 22:

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.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

ADDITIONAL FDD DISCLOSURES REQUIRED BY THE STATE OF HAWAII

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Magnolia Bakery International, LLC Franchise Disclosure Document for use in the State of Hawaii is amended to include the following:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO

FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

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 5, Additional Disclosures. The following statements are added to Item 5:

Based upon the review of our audited financial statements, the Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to: (1) defer payment of the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement and the Bakery has opened for business; and (2) defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Area Development Agreement and the Bakery has opened for business. We will prorate the portion of the Development Fee based on the number of Bakeries to be opened and only the prorated portion of the Development Fee can be collected as the Bakeries are open.

Each provision of this Hawaii Addendum to the Disclosure Document will be effective only to the extent that, with respect to the provision, the jurisdictional requirement of the Franchise Investment Law of Hawaii is met independently without reference to this Hawaii Addendum.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the Agreements.

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 out of Illinois.

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.

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

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

We will defer the payment of the Development Fee and the Initial Franchise Fee until we complete our pre-opening obligations to you and you open your first Bakery. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MARYLAND

1. Item 5, Additional Disclosures. The following statements are added to Item 5:

   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. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 17, Additional Disclosures. The following statements are added to Item 17:

   Any provision requiring you to sign a general release of claims against us as a condition of renewal or transfer, does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

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

   The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).

3. Item 22, Additional Disclosure. The following statement is added to Item 22:

   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.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, 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 DISCLOSURE ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA

1. Fee Deferral. The following statement is added to Item 5:

In Minnesota, we will defer the payment of the Initial Franchise Fee for each Bakery until you open the Bakery. When you open each Bakery developed under a Franchise Agreement, you must pay to us the Initial Franchise Fee for that Bakery.

2. Insufficient Funds Charges. The following statement is added to the Notes in Item 6:

We will not charge more than $30 or the maximum rate permitted by applicable law for an insufficient funds fee.

3. Notice of Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

4. Choice of Forum and Law; Waiver of Right to Jury Trial or Termination Penalties. The following statements are added to Item 17:

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

5. General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits a Franchisor from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

6. Additional Disclosure. The following statement is added to Item 22:

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.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR

ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF NEW YORK

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 G OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to 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 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.

4. 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.

5. 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.

6. Franchise Questionnaires and Acknowledgements. 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.

7. Receipts. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF RHODE ISLAND

Item 17, Additional Disclosure. The following statement is added to 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."

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to this Additional Disclosure.

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF VIRGINIA

In recognition of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia shall be amended to include the following:

1. Additional Risk Factor.

   Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $696,000 to $1,198,270. This amount exceeds the franchisor's members' equity as of December 31, 2025, which is ($1,078,723).

2. Item 5, Fee Deferral. The following statements are added to Item 5:

   The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to (1) defer payment of the Development Fee and other initial payments owed by franchisees to us until we have completed our pre-opening requirements under the Development Agreement and the franchisee has opened their first Bakery; and (2) defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to us until we have completed our pre-opening requirements under the Franchise Agreement and the franchisee has opened their Bakery.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

   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 ground 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.

   As of July 1, 2026, under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, any franchise contract or agreement offered or entered into pursuant to terms of the Virginia Retail Franchising Act shall be governed by the laws of the Commonwealth of Virginia.

   As of July 1, 2026, under subsection A 4 of § 13.1-563 of the Virginia Retail Franchising Act, it is unlawful in connection with the sale or offer to sell a franchise located in Virginia, to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, under subsection B of § 13.1-563 of the Virginia Retail Franchising Act, in the event that a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

2. Item 22, Additional Disclosure. The following statement is added to Item 22:

   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.

These Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to these Additional Disclosures.

EXHIBIT I

STATE ADDENDA

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR CALIFORNIA DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of California; **(B)** you are resident of the State of California; and/or **(C)** part or all of the Development Area is located in the State of California.

2. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

3. 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.

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of California; **(B)** you are a resident of the State of California; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of California.

2. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

3. 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.

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR HAWAII DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Hawaii; **(B)** you are resident of the State of Hawaii; and/or **(C)** part or all of the Development Area is located in the State of Hawaii.

2. The following is added to the end of Section 2.1 of the Area Development Agreement:

The Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Area Development Agreement and the Bakery has opened for business. We will prorate the portion of the Development Fee based on the number of Bakeries to be opened and only the prorated portion of the Development Fee can be collected as the Bakeries are open.

3. 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.

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR HAWAII FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Hawaii; **(B)** you are a resident of the State of Hawaii; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of Hawaii.

2. The following is added to the end of Section 4.1 of the Franchise Agreement:

The Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to defer payment of the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement and the Bakery has opened for business.

3. 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.

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. Fee Deferral. The following paragraph is added to the end of Section 2:

We will defer the payment of the Development Fee and the Initial Franchise Fee until we complete our pre-opening obligations to you and you open your first Bakery. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

2. Choice of Law. The following sentence is added to the end of Section 13.1:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

3. Choice of Venue. The following sentence is added to the end of Section 13.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.

4. Representations. The following sentence is added to the end of Section 14:

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

5. Acknowledgements. The following paragraph is added to the end of Section 14:

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.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into is entered into simultaneously with the Franchise Agreement.

1. Fee Deferral. The following paragraph is added to the end of Section 4.1:

We will defer the payment of the Initial Franchise Fee until we complete our pre-opening obligations to you and you open the Bakery. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

2. Choice of Law. The following sentence is added to the end of Section 23.1:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

3. Choice of Venue. The following sentence is added to the end of Section 23.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.

4. Representations. The following sentence is added to the end of Section 24:

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

5. Statute of Limitations. The following sentence is added to the end of Section 23.3:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.

6. Acknowledgements. The following paragraph is added to the end of Section 24:

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.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MARYLAND DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are resident of the State of Maryland; and/or **(C)** part or all of the Development Area is located in the State of Maryland.

2. Fee Deferral. The following paragraph is added to the end of Section 2:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all Development Fees and initial payments owed shall be deferred until the first Bakery under the Development Agreement opens.

3. Choice of Law. The following sentence is added to the end of Section 13.1:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

4. Choice of Venue. The following sentence is added to the end of Section 13.2:

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

5. Statute of Limitations. The following sentence is added to the end of Section 13.3:

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

6. Representations. The following paragraph is added to the end of Section 14:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement 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. Acknowledgments. The following paragraph is added to Section 14:

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.

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

9. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are resident of the State of Maryland; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of Maryland.

2. Fee Deferral. The following paragraph is added to the end of Section 4.1:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the Franchise Agreement.

3. Releases. The following sentence is added to the end of 14.4(D) and 15.3:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Choice of Law. The following sentence is added to the end of Section 23.1:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

5. Choice of Venue. The following sentence is added to the end of Section 23.2:

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

6. Statute of Limitations. The following sentence is added to the end of Section 23.3:

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

7. Representations. The following paragraph is added to the end of Section 24:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement 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.

8. Acknowledgements. The following paragraph is added to the end of Section 24:

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.

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

10. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MINNESOTA DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** you are resident of the State of Minnesota; and/or **(C)** part or all of the Development Area is located in the State of Minnesota.

2. Fee Deferral. The following sentence is added to the end of Section 2.1:

Notwithstanding the foregoing, in the State of Minnesota, we will defer the payment of the Development Fee until the first Bakery that you develop under this Agreement opens for business. Upon the opening of the first Bakery, you shall pay the Development Fee to us.

3. Releases. The following sentence is added to the end of Sections 7.7, 9.2, and 9.3:

Notwithstanding the foregoing, Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

4. Choice of Law. The following sentence is added to the end of Section 13.1:

Notwithstanding the foregoing, the Minnesota Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

5. Injunctive Relief. Section 5.1(A)(9) is deleted and replaced with the following statement:

Developer's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including the right to seek injunctive relief.

The second sentence of Section 13.7. is deleted and replaced with the following sentence:

Therefore, Developer agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Developer, we shall be entitled to seek injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance. A court will determine if a bond or security must be posted.

6. Termination. The following sentence is added to the end of Section 7.3:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreements.

7. Choice of Venue. The following sentences are added to the end of Section 13:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in our disclosure document or agreements can abrogate or reduce any of Developer's rights as provided for in Minnesota Statutes, Chapter

80C, or Developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

8. Waiver of Jury Trial. The second sentence of Section 13.6. is deleted and replaced with the following sentence:

DEVELOPER AND MAGNOLIA BAKERY INTERNATIONAL, LLC WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS.

9. Statute of Limitations. The following sentence is added to the end of Section 13.3:

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

10. Representations. The following sentence is added to the end of Section 14:

Section 14-226 of the Minnesota Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Minnesota Franchise Registration and Disclosure Law.

11. Acknowledgements. The following paragraph is added to the end of Section 14:

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.

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

13. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** you are resident of the State of Minnesota; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of Minnesota.

2. Fee Deferral. The following sentence is added to the end of 4.1:

Notwithstanding the foregoing, in the State of Minnesota, we will defer the payment of the Initial Franchise Fee until you open your Bakery. At that time, you shall pay to us the Initial Franchise Fee.

3. Insufficient Funds Charges. The third sentence of Section 4.8 is deleted and replaced with the following:

In addition to the interest charges, you must reimburse us for any bank fees incurred by us and pay us Thirty Dollars ($30) and any bank charges incurred (or the maximum amount permitted by applicable law, whichever is less) to cover our administrative expenses in responding each time you make a payment to us which does not clear your Account due to insufficient funds.

4. Releases. The following sentence is added to the end of 14.4(D) and 15.3:

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

5. Choice of Law. The following sentence is added to the end of Section 23.1:

Notwithstanding the foregoing, the Minnesota Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

6. Injunctive Relief. Section 13.1(A)(9) is deleted and replaced with the following statement:

Franchisee's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including the right to seek injunctive relief.

The second sentence of Section 23.7. is deleted and replaced with the following sentence:

Therefore, Franchisee agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee, we shall be entitled to seek injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance. A court will determine if a bond or security must be posted.

7. Termination. The following sentence is added to the end of Section 16.2:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreements

8. Choice of Venue. The following sentence is added to the end of Section 23.2:

Notwithstanding the foregoing, Developer may bring a lawsuit in Minnesota for claims arising under the Minnesota Franchise Registration and Disclosure Law.

9. Waiver of Jury Trial. The second sentence of Section 23.6. is deleted and replaced with the following sentence:

DEVELOPER AND MAGNOLIA BAKERY INTERNATIONAL, LLC WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS.

10. Statute of Limitations. The following sentence is added to the end of Section 23.3:

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

11. Representations. The following sentence is added to the end of Section 24:

Section 14-226 of the Minnesota Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Minnesota Franchise Registration and Disclosure Law.

12. Acknowledgements. The following paragraph is added to the end of Section 24:

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.

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

14. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NEW YORK DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are resident of the State of New York; and/or **(C)** part or all of the Development Area is located in the State of New York.

2. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

3. The following sentence is added to Section 6.1:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

4. The following sentence is added to the end of Sections 5 and 13.7:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

5. The following sentence is added to the end of Section 13.1:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

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

7. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are a resident of the State of New York; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of New York.

2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

3. The following sentence is added to the end of Section 15.3:

Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

4. The following sentence is added to Section 14.1:

We will not assign its rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

5. The following sentence is added to the end of Sections 13, 17.3 and 23.7:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. The following sentence is added to the end of Section 23.1:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

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

8. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR RHODE ISLAND DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Rhode Island; **(B)** you are resident of the State of Rhode Island; and/or **(C)** part or all of the Development Area is located in the State of Rhode Island.

2. The following language is added to Section 13.1 and 13.2:

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

4. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Rhode Island; **(B)** you are a resident of the State of Rhode Island; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of Rhode Island.

2. The following language is added to Section 23.1 and 23.2:

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

4. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY AREA DEVELOPMENT AGREEMENT
REQUIRED FOR VIRGINIA DEVELOPERS

This Addendum to the Magnolia Bakery Area Development Agreement dated _____ ("Development Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Developer") is entered into simultaneously with the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Virginia; **(B)** you are resident of the State of Virginia; and/or **(C)** part or all of the Development Area is located in the State of Virginia.

2. Fee Deferral. The following language is added to the end of Section 2:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Development Fee and the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening requirements under the Development Agreement and the Franchise Agreement and you have opened your first Bakery.

3. Acknowledgements. The following paragraph is added to the end of Section 14:

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

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**DEVELOPER:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

ADDENDUM TO THE MAGNOLIA BAKERY FRANCHISE AGREEMENT
REQUIRED FOR VIRGINIA FRANCHISEES

This Addendum to the Magnolia Bakery Franchise Agreement dated _____ ("Franchise Agreement") between Magnolia Bakery International, LLC ("we", "us," or "our"), a Delaware limited liability company and _____ ("you" or "your," or "Franchisee") is entered into as of the _____ day of _____, 20__.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Virginia; **(B)** you are a resident of the State of Virginia; and/or **(C)** the franchised Magnolia Bakery will be located and/or operated in the State of Virginia.

2. Fee Deferral. The following language is added to the end of Section 4.1:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening requirements under the Franchise Agreement and you have opened your Bakery.

3. Acknowledgements. The following paragraph is added to the end of Section 24:

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

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

5. This Addendum may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

MAGNOLIA BAKERY INTERNATIONAL, LLC **a Delaware limited liability company**	**FRANCHISEE:** _____, a _____
By:_____	By:_____
Print Name:_____	Print Name:_____
Title:_____	Title:_____
Date: _____	Date: _____

EXHIBIT J

STATE EFFECTIVE DATES

State Effective Dates

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

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Wisconsin	Pending

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

EXHIBIT J

RECEIPTS

RECEIPT

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

If Magnolia Bakery International, LLC offers you a franchise, Magnolia Bakery International, LLC 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 that Magnolia Bakery International, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that Magnolia Bakery International, LLC gives you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that Magnolia Bakery International, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Magnolia Bakery International, 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, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is Magnolia Bakery International, LLC, located at 244 West 54th Street, Suite 501, New York NY, 10019; 212-265-2777.

The issuance date of this Franchise Disclosure Document is April 24, 2026.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Nathan Louer, Chief Executive Officer; Barbara Petracca (aka Bobbie Lloyd), Chief Brand Officer and Chief Baking Officer; Jason Mattes, Vice President of Domestic Franchise Development and Sales; Katherine Nolan, Domestic Franchise Sales Manager; and Dina Veenhuis, Franchise Administration Manager of Magnolia Bakery International, LLC, 244 West 54th Street, Suite 501, New York NY, 10019; 212-265-2777 and _____.

Magnolia Bakery International, LLC authorizes the respective state agencies identified on Exhibit F to receive service of process of it in the particular state.

I have received a Franchise Disclosure Document dated April 24, 2026 that included the following exhibits:

A. Franchise Agreement
B. Non-Traditional Location Addendum
C. Area Development Agreement
D. Manual Table of Contents
E Financial Statements
F. List of Franchisees
G. List of State Administrators and Agents for Service of Process
H. State Specific Additional FDD Disclosures
I. State Addenda
J. State Effective Dates
K. Receipts

_____
Date Received

_____
Prospective Franchisee

_____
Name (please print) _____
Address: _____

_____

Please sign this copy of the receipt, date your signature, return the signed receipt to Magnolia Bakery International, LLC.

RECEIPT

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K. Receipts

_____
Date Received

_____
Prospective Franchisee

_____
Name (please print) _____
Address: _____
_____

Please sign this copy of the receipt, date your signature and retain the signed Receipt for your records.