FRANCHISE DISCLOSURE DOCUMENT

SHIPLEY FRANCHISE COMPANY LLC
A Delaware Limited Liability Company

55 Waugh Dr. Suite 1200
Houston, Texas 77007
(713) 869-4636
www.shipleydonuts.com

A Shipley Do-Nuts franchisee will operate a retail shop specializing in the offer and sale of donuts, kolaches, coffee and specialty drinks prepared on-site and related products and services.

The total investment necessary to begin operation of a Shipley Do-Nuts shop ranges from $516,512 to $855,147, excluding real estate purchase and lease costs. This includes between $65,000 and $83,500 that must be paid to the franchisor and/or its affiliates.

If you enter into a Multi-Shop Development Agreement to develop at least three Shipley Do-Nuts shops, when you sign the Multi-Shop Development Agreement, you will pay a development fee equal to 100% of the initial franchise fee for the first Shipley Do-Nuts shop to be developed, plus $10,000 for each additional Shipley Do-Nuts shop to be developed under the Multi-Shop Development Agreement. The total estimated initial investment necessary to enter into a Multi-Shop Development Agreement for the development of between three and five Shipley Do-Nuts shops ranges from $62,000 to $84,000, including between $60,000 and $80,000 that must be paid to the franchisor and/or its affiliates. However, the total estimated initial investment under a Multi-Shop Development Agreement will vary depending on the number of Shipley Do-Nuts shops to be developed thereunder. This is not a maximum.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Todd Brin at t.brin@shipleydonuts.com or 55 Waugh Dr. Suite 1200, Houston, Texas 77007.

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

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

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

Issuance date: April 30, 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 and Exhibits D and E.
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 C 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 Shipley Do-Nuts Shop business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Shipley Do-Nuts Shop franchisee?	Item 20 and Exhibits D and E 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 F.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, and then if unresolved, litigation, only in the city and state where our principal headquarters is located (currently, Houston, Texas). Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Houston, Texas than in your own state.

2. **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.

MICHIGAN NOTICE

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 assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 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 sell 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 offer on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, (517) 373-7117.

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

To simplify the language in this disclosure document, "we", "SFC" or "us" means Shipley Franchise Company LLC, the franchisor. "You" means the individual, corporation or partnership who buys the franchise. If the franchisee will operate through a corporation, limited liability company, partnership or other business entity, "you" also includes the franchisee's owners or partners. Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service are shown on Exhibit G.

The Franchisor

We are a Delaware limited liability company organized on December 18, 2020. Our principal business address is 55 Waugh Dr. Suite 1200, Houston, Texas 77007, and our telephone number is (713) 869-4636. We do not do business under any name other than Shipley Franchise Company LLC. We have been offering franchises since December 2020. We have never offered franchises in any other lines of business.

Our agents for service of process for certain states are identified by state in Exhibit G. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed in Exhibit G in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Parents, Predecessors and Affiliates

Our predecessor is Shipley Franchise Company, a Texas S corporation (our "Predecessor"). In December 2020, our Predecessor was converted to Shipley Franchise Company LLC, a Delaware limited liability company. Our Predecessor offered Shipley Do-Nuts franchises from 1987 until December 2020. Prior to 1987, from about 1957-1987, Shipley Do-Nut Flour and Supply Co., Inc. licensed operators to use the Shipley Do-Nuts System (defined below). Our Predecessor has never offered franchises in any other lines of business.

We are a wholly-owned subsidiary of SDC Holdco, LLC ("SDC Holdco"), a Delaware limited liability company which shares our principal address. SDC Holdco is owned through a series of intermediate holding companies by SDC Ultimate Holdings GP LLC ("Ultimate Holdings"), which is majority controlled via an entity managed by Leichtman Capital Partners, LLC ("LLCP"). LLCP is a Beverly Hills, California-based independent investment firm with its principal place of business at 345 N. Maple Drive, Suite 300, Beverly Hills, California 90210. SDC Holdco and Ultimate Holdings have never offered franchises for Shipley Do-Nuts branded Restaurants or for any other concept and do not provide products or services to the franchisees of franchisor.

Our affiliate, Shipley Do-Nut Flour and Supply Co LLC ("Shipley Supply Co"), a Delaware limited liability company formed on December 18, 2020, supplies the ingredients used by all Shipley Do-Nuts franchisees in making donuts, kolaches, coffee, and specialty drinks prepared on-site and related products and services. Shipley Supply Co does not offer franchises in any line of business.

Our affiliate, Shipley Restaurant Company LLC, owns and operates some Shipley Do-Nuts Shops (defined below). Neither Franchisor nor other affiliates operate Shipley Do-Nuts Shops. Franchisor is not involved in other businesses.

Through common ownership with investment funds controlled by LLCP, we are affiliated with the franchise programs listed below. None of these affiliates have offered franchises in any line of business other than as listed below and none of them have conducted a "Shipley Do-Nuts" franchised business that you will operate.

1. LD Parent, Inc. is the direct or indirect parent company of the following franchisors, all of which have a principal business address of 142 State Route 34, Holmdel, New Jersey 07733:
    a. Lawn Doctor, Inc. ("LDI") franchises the right to operate businesses that establish, care for, and maintain, lawns and other vegetation and provide pest control services under the

principal trademark and service mark “Lawn Doctor” (“Lawn Doctor Businesses”). LDI has offered Lawn Doctor Business franchises since 1967. As of December 31, 2025, there were 675 franchised Lawn Doctor Businesses in the United States.

b. Mosquito Hunters LLC (“MH”) franchises the right to operate businesses that provide mosquito and pest control services through regular spraying applications and follow-up maintenance and do so under the trademark “Mosquito Hunters.” MH has offered franchises since 2013. As of December 31, 2025, there were 150 franchised Mosquito Hunter businesses operating in the United States.

c. ecomaids LLC (“EM”) franchises the right to operate businesses that provide environmentally-friendly home cleaning services under the principal trademark “Ecomaids.” EM has offered franchises since 2019. As of December 31, 2025, there were 42 franchised Ecomaid businesses operating in the United States.

d. Elite Franchising Corp. (“Elite”) franchises the right to operate businesses that provide window cleaning, gutter cleaning and power washing services to residential and commercial customers under the principal trademark “Elite Window Cleaning.” Elite began franchising in 2018. As of December 31, 2025, there were 15 franchised Elite businesses operating in Canada.

e. Sparkle Squad, LLC (“Sparkle Squad”) franchises the right to operate window cleaning, gutter cleaning, house washing, and screen cleaning service businesses under the principal trademark “Sparkle Squad.” Sparkle Squad began franchising in 2023. As of December 31, 2025, there were 101 franchised Sparkle Squad businesses operating.

2. ZGS Bildungs-GmbH (“Schülerhilfe”) franchises the right to operate businesses in Germany, Austria and Switzerland providing private tutoring services under the principal trademark “Schülerhilfe.” Schülerhilfe has offered franchises since 1983, and as of December 31, 2025, there were 421 franchised Schülerhilfe business operating outside the U.S. Schülerhilfe’s principal business address is Ludwig-Erhard-Straße 2, 45891 Gelsenkirchen, Germany.

3. SYNERGY HomeCare Franchising, LLC ("SYNERGY HomeCare") franchises the right to operate businesses that offer non-medical, in-home personal assistance, such as in-home personal care and companionship, child care, meal preparation, medication reminders, medical and social appointment scheduling and management, organizational and bill paying assistance, house cleaning services and light home maintenance to seniors, the convalescing, disabled persons and others who need help with daily living activities. SYNERGY HomeCare has offered franchises for this business since 2005. As of December 31, 2025, there were 255 SYNERGY HomeCare Businesses operating in 626 territories in the United States. SYNERGY HomeCare's principal place of business is 960 W. Elliot Road, Suite 101, Tempe, Arizona 85264.

4. Kilwins Chocolate Franchise, Inc. (“Kilwins”) franchises the right to operate a “Kilwins Full Line Chocolates, Confectionary & Ice Cream Store” or a “Kilwins Ice Cream & Chocolates Shop,” which specializes in the sale of Kilwins-approved hand-crafted chocolates, Kilwins brand original recipe ice cream, fudge, and other confections. Kilwins has offered franchises for these stores since March 1981. As of December 31, 2025, there were 187 franchise Kilwins stores in operation in the United States. Kilwin’s principal place of business address is 1050 Bay View Road, Petoskey, Michigan, 49770.

Except as described above, we have no other parents, predecessors or affiliates that must be disclosed in this Item.

Description of the Franchise

We and our affiliates have developed a proprietary system (the “System”) for opening and operating retail shops that offer and sell donuts, kolaches, coffee and specialty drinks prepared on-site and related products and services (each, a “Shop”). Shops are generally located in high traffic locations, including strip mall complexes, lifestyle centers and free-standing locations. Shops will typically need between 1,400 and 2,000

square feet of space. The System makes use of the trademark, service mark and fictitious business name "Shipley Do-Nuts" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and other intellectual property (collectively, the "Marks"). The System includes distinctive signage, interior and exterior design, décor and color scheme; special recipes and menu items, including proprietary products and ingredients; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures (including point of sale and tracking systems); training and assistance; and advertising, all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this disclosure document and in the confidential operations manual ("Manual") (which you should expect to evolve over time) that will be provided to you as a franchisee.

Types of Franchises

This disclosure document offers two basic types of franchises for Shops – single unit franchises and multi-unit franchises.

For those who wish to operate a single Shop, we offer a unit franchise program under which you sign a "Franchise Agreement" and commit yourself to develop and open one Shop (see the current form of Franchise Agreement in Exhibit A).

For those who desire and are granted the right to operate multiple Shops within a defined geographic area (the "Development Area"), we offer a multi-unit program under which you must make a commitment to sign separate Franchise Agreements for, and open, a pre-determined number of Shops (no less than two) according to a specified development schedule (the "Development Schedule") (see our current form of Multi-Shop Development Agreement (the "MSDA") in Exhibit B). We will determine the Development Area before you sign the MSDA and it will be set forth in the MSDA. The size of the Development Area will vary depending upon local market conditions and the number of Shops to be developed. The Franchise Agreement for your first Shop will be signed at the same time as the MSDA. For each additional Shop developed under the MSDA, you must sign our then-current form of Franchise Agreement, which may differ from the one disclosed in this disclosure document. You may not open a Shop for business until a fully executed Franchise Agreement is in place for that Shop and the initial franchise fee has been fully paid.

Market and Competition

The market for donuts, kolaches, coffee, and specialty drinks is the general public, and these products are sold primarily to individuals for both on- and off-premises consumption. The products are not seasonal, nor sold primarily to any particular group of consumers. The market is well-developed in that consumers are already well-aware of donuts and most of our menu items; the market for kolaches is emerging.

You can expect to compete in your market with locally-owned donut, coffee and bakery businesses as well as national and regional chains that sell similar products. The market for donuts, coffee and other related products is well-established and highly competitive. Shops compete on the basis of factors such as price, service, location, convenience and food quality. Additionally, you may find that there is competition for suitable locations. Principal factors that will vary but that will impact our brand's competitive position are name recognition (which is stronger in some regions than in others), product quality, variety, appearance, location, and advertising. A business such as a Shop may also be affected by other factors, such as changes in consumer taste, economic conditions, population, and travel patterns. Your competition may also include other types of retail outlets that sell donuts, coffee, and other related products, such as grocery stores, convenience stores, bakeries and specialty coffee shops. You may also compete with other existing Shipley Do-Nuts Shops and with new Shipley Do-Nuts Shops that we may operate, franchise, or license in the future. Competition may also include Shipley Do-Nuts Shop products sold through other channels of distribution (among which are the Internet, food trucks and non-traditional and other venues).

Industry-Specific Laws

You must comply with all local, state and federal laws and regulations applicable to the operation of your Shipley Do-Nuts Shop, including health, sanitation, food and beverage handling, food adulteration, food preparation, waste disposal, smoking restrictions and advertising and menu labeling and point-of-sale disclosures. You must comply with all laws relating to the sale of alcohol, including the requirement to obtain all necessary licenses and permits. There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney concerning all laws and regulations that may affect your Shipley Do-Nuts Shop.

ITEM 2 BUSINESS EXPERIENCE

Flynn Dekker - Chief Executive Officer

Mr. Dekker has served in this role for Franchisor since May 2023. Mr. Dekker previously served as Chief Executive Officer for Bonchon Franchise, LLC from May 2019 to May 2023, based in New York, New York and Dallas, Texas.

Bill Leibengood - Chief Marketing Officer

Mr. Leibengood has served in this role for Franchisor since November 2025. Previously, Mr. Leibengood served as Chief Operating Officer for Landry's Inc. in Houston, Texas from January 2020 to October 2025.

Todd Brin – Chief Development Officer

Mr. Brin has served in this role for Franchisor since January 2026. Previously, Mr. Brin served as VP Design and Construction for Franchisor in Houston, Texas from July 2025 to January 2026, and as VP Design Construction for Wingstop in Dallas, Texas from August 2003 to January 2025.

John Feray – Chief Financial Officer

Mr. Feray has served in this role for Franchisor since February, 2026. Previously, Mr. Feray served as Chief Financial Officer of GSM Outdoors in Fort Worth, Texas from January 2023 to December 2025, and Chief Financial Officer of Lucid Hearing in Forth Worth, Texas from January 2020 to November 2022.

Matthew Kafka – Chief Operating Officer

Mr. Kafka has served in this role for Franchisor since February, 2026. Previously, Mr. Kafka served as the Senior Vice President of Smoothie King Franchises, Inc. in Dallas, Texas from August 2018 to February, 2026.

Kerry Leo - Vice President of Technology

Mr. Leo has served in this role for Franchisor since July 2021. Previously, Mr. Leo served as Sr. Director, Information Technology with Church's Chicken in Atlanta, Georgia from April 2019 to July 2021.

ITEM 3 LITIGATION

Pending Litigation:

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Sonny Ros, d/b/a Starhouse Donuts, Case No. 60CV-22-2593 (Pulaski Co. Cir., Ark.) (Filed: March 21, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted claims for trademark infringement, unfair competition, deceptive trade practices act violations, and breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, and then failing to properly de-identify the location and use of advertising and trademarks similar to SFC's following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on June 2, 2022, alleging that SFC wrongfully terminated the

Defendant's franchise agreement and violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201. On March 3, 2025, the Court entered an Order dismissing the Defendant's Counterclaim against Plaintiffs. The parties are currently engaged in written discovery. The Defendant has filed a motion for judgment on the pleadings, which has not yet been set for hearing and remains pending. The Court has not yet set a trial in this case.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Jeffrey Ek, d/b/a Grandpa's Donuts, Case No. 60CV-22-2903 (Pulaski Co. Cir., Ark.) (Filed: May 6, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted a claim for breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, and then failure to cease operations following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on July 25, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. The Plaintiffs believe that the Defendant's claims are entirely without merit and intend to vigorously defend themselves. The Plaintiffs served the Defendant with discovery, but as of March 6, 2024, no such discovery has been produced. Trial in this case has not yet been set. The Defendant has filed for Chapter 7 bankruptcy, resulting in an automatic stay of this case.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Botny Heang, d/b/a Starhouse Donuts, Case No. 60CV-22-3029 (Pulaski Co. Cir., Ark.) (Filed: June 7, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted claims for trademark infringement, unfair competition, deceptive trade practices act violations, and breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, and then use of advertising and trademarks similar to SFC's following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on June 17, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. On March 11, 2025, the Court entered an Order dismissing the Defendant's Counterclaim against Plaintiffs. The Plaintiffs served the Defendant with discovery demands, but Defendant failed to comply with such demands. The Court entered an Order compelling Defendant to produce the requested documents and information and awarding Plaintiffs their reasonable attorneys' fees and costs incurred in seeking such discovery, amounting to $7,607.80. The Defendant has filed a motion for judgment on the pleadings, which has not yet been set for hearing and remains pending. Trial in this case has not yet been set.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Llina Lab, d/b/a Starhouse Donuts, Case No. 73CV-22-376 (White Co. Cir., 1st Div., Ark.) (Filed: May 16, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted claims for trademark infringement, unfair competition, violations of deceptive trade practices act and breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, and then use of advertising and trademarks similar to SFC's following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on June 27, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. On March 14, 2025, the Court entered an Order dismissing the Defendant's Counterclaim against Plaintiffs. The parties are currently engaged in written discovery. Trial in this case has not yet been set.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Carolyn Ros, d/b/a Monticello Donuts, Case No. 22CV-22-111 (Drew Co. Cir., Ark.) (Filed: August 8, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted a claim for breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, unilateral abandonment of the franchise and then continued operation of a competitive business following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on November 9, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. On March 10, 2025, the Court entered an Order dismissing the Defendant's Counterclaim against Plaintiffs. The parties are currently engaged in written discovery. Trial in this case has not yet been set.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Evelyn Jones, d/b/a Doughboy Donuts, Case No. 60CV-22-5184 (Pulaski Co. Cir., Ark.) (Filed: August 4, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendant, a former franchisee, and asserted a claim for breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof, unilateral abandonment of the franchise and then continued operation of a competitive business following the termination thereof. In response, the Defendant filed an answer and counterclaim against the Plaintiffs on October 3, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. The Plaintiffs believe that the Defendant's claims are entirely without merit and intend to vigorously defend themselves. The Plaintiffs served the Defendant with discovery demands, but as of December 29, 2025, no such discovery has been produced. The Court entered an Order compelling Defendant to produce the requested documents and information and awarding Plaintiffs their reasonable attorneys' fees and costs incurred in seeking such discovery. Plaintiffs have filed a petition for the Court to quantify the award of attorneys' fees and costs. This petition remains pending. Trial in this case has not yet been set.

Shipley Franchise Company LLC, and Shipley Do-Nut Flour and Supply Co LLC v. Bun Chhhun, and Vin Thada TV, Case No. 14CV-22-179-4 (Columbia Co. Cir., Ark.) (Filed: August 8, 2022)

SFC and Shipley Do-Nut Flour and Supply Co LLC filed a lawsuit against the Defendants, former franchisees, and asserted a claim for breach of contract as a result of the Defendant's failure to comply with the franchise agreement during the term thereof. In response, the Defendants filed an answer and counterclaim against the Plaintiffs on October 14, 2022, alleging that SFC wrongfully terminated the Defendant's franchise agreement, violated the Arkansas Franchise Practices Act, Ark. Cod. Ann. § 4-72-201 and failed to act in a commercially reasonable manner or in good faith. The Plaintiffs believe that the Defendants' claims are entirely without merit and intend to vigorously defend themselves. The Plaintiffs served the Defendant with discovery demands, but Defendant failed to timely produce responsive documents. Plaintiffs filed a motion to compel discovery responses from Defendant, and the Court granted this motion. The Court took Plaintiffs' request for an award of their attorneys' fees and costs and other sanctions under advisement. Trial in this case has not yet been set.

Concluded Litigation:

Georgia Taco, LLC v. Shipley Franchise Company, LLC, et al.; Civil Action No. 24-A-08227-10, Gwinnett County, Georgia

Plaintiff, a landlord of a premises - - that we leased and then subsequently assigned our franchisee, AFRD Shipley 1, LLC ("Franchisee") - - brought an action against us alleging breach of contract and seeking possession of the premises and reimbursement of its attorneys' fees and expenses, along with punitive

damages, resulting from Franchisee's failure to comply with the lease, representing a material breach of the lease assignment and the franchise agreement. Franchisee's actions resulted in our termination of the franchise agreement with Franchisee and of the multi-shop development agreement with Franchisee's affiliate, ARFD Food Company, LLC ("Developer"). We asserted a cross-claim against Franchisee for indemnification, breach of the assignment and assumption of lease, and attorneys' fees and expenses, and filed a Third-Party Complaint against Franchisee's affiliates - Robertson Capital, ARFD Food Company, LLC, and Advanced Louisiana Operating LLC f/k/a Robertson Energy LLC seeking indemnification, breach of the multi-shop development agreement, breach of the franchise agreement, piercing the corporate veil, and attorneys' fees and expenses. In response, Franchisee brought a crossclaim against us asserting breach of contract, and seeking attorney's fees, repayment of the $240,000 development fee, contribution and indemnification if Georgia Taco prevails, and attorney's fees. In addition, Developer raised a counterclaim to the Third-Party Complaint, and alleged that Shipley breached the contract and unspecified damages. The parties entered into a confidential global Settlement and Release Agreement on July 24, 2024, which included terms that were substantially favorable to us (we did not pay any money or other consideration to any party or otherwise take any action adverse to our interests) and this case was dismissed with prejudice on July 31, 2025.

Material Civil Action Initiated by Franchisor Involving the Franchise Relationship in the Last Fiscal Year:

Date Filed	Court	Case No.	Against	Claims Asserted
11/7/2025	United States Bankruptcy Court Eastern District of Arkansas Central Division	4:25-ap-01064	Jeffrey Ek	Fraudulent Transfer of Debtor Property under 11 U.S.C. § 727(a)(2)(A); Fraudulent Transfer of Estate Property under 11 U.S.C. § 727(a)(2)(B); Failure to Preserve Records under 11 U.S.C. § 727(a)(3); False Oaths under 11 U.S.C. § 727(a)(4); Loss or Deficiency of Assets under 11 U.S.C. § 727(a)(5); Fraud and Defalcation under 11 U.S.C. § 523(a)(4); and Willful and Malicious Injury under 11 U.S.C. § 523(a)(6)
11/20/2025	The District Court, 189th Judicial District, Harris County, Texas	Cause No. 202588194	Tasty Donuts LLC and Chhhun Bun	Breach of Franchise Agreement; Breach of Guaranty; Unfair Competition by Palming Off/Deceptive Conduct; and Trademark Infringement under the Lanham Act

Except with respect to the foregoing, there is no litigation that must be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Franchise Agreement

If you develop a single Shop under a single Franchise Agreement, you must pay us an initial franchise fee equal to $40,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is due in one lump sum when you sign the Franchise Agreement, will be fully earned when paid and is not refundable for any reason. The Initial Franchise Fee is uniformly imposed except for certain existing franchisees who qualify for incentives that were in place prior to the issuance date of this Disclosure Document.

Initial Supply of Inventory

In addition, before your Shop opens, you will be required to purchase from us or our affiliate, Shipley Supply Co, an initial inventory of our proprietary donut mixes, filling and icings, fry shortening, sugar, flour, kolache fillings, branded packaging materials, as well as meats, cheeses, coffee beans and grounds, specialty drinks and other related products and services at an estimated cost of approximately $20,000 to $23,500. These amounts will be fully earned when paid and are not refundable.

Grand Opening Marketing Campaign

You will be required to spend at least $20,000 ("Grand Opening Marketing Expenditure") on a grand opening marketing campaign for your Shop ("Grand Opening Marketing Campaign"), which will generally cover the period equal to one month prior to and six months after the opening of your Shop. If we approve you to operate your Shop at a non-traditional location (which we have no obligation to do), we may (but need not) agree to reduce your required Grand Opening Marketing Expenditure to $5,000. Typically you will pay our approved advertising vendors directly for advertising services after we approve the Grand Opening Marketing Campaign; however, we reserve the right to require you to pay the Grand Opening Marketing Expenditure directly to us so that we may conduct the Grand Opening Marketing Campaign on your behalf.

Multi-Shop Development Agreement

If you sign a MSDA with us, you must pay us a development fee ("Development Fee") that will vary depending on the number of Shops you commit to develop thereunder, which is calculated as follows: (a) 100% of the Initial Franchise Fee (i.e., $40,000) for the first Shop to be developed under the MSDA plus (b) $10,000 multiplied by the remaining number of Shops to be developed under the MSDA. By way of example only, if we grant you the right to develop three Shops pursuant to the MSDA, you will be required to pay us a Development Fee equal to $60,000 (i.e., $40,000 + [$10,000 x 2]), and if we grant you the right to develop five Shops pursuant to the MSDA, you will be required to pay us a Development Fee equal to $80,000 (i.e., $40,000 + [$10,000 x 4]).

You pay us or our affiliates no other fees or payments for services or goods before your Shop opens.

ITEM 6 OTHER FEES

FRANCHISE AGREEMENT

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
Royalty Fee	5% of previous week's Gross Sales	Weekly	See Note 1 for the "Gross Sales" definition.

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
System Brand Fund Fee	1% of previous week's Gross Sales	Weekly	We reserve the right to increase the Brand Fund Fee at any time upon notice to you. We may require you spend up to 5% of weekly Gross Sales on total advertising expenditures ("Total Advertising Spend") and will determine how this total is allocated among the Brand Fund Fee, Regional Advertising Cooperative Fee (if applicable) and Local Advertising and Promotion expenditure.
Regional Advertising Cooperative Contribution	Not currently assessed for new franchisees; 1% of Gross Sales	Weekly	If there is a regional advertising cooperative in your respective region when you execute the Franchise Agreement—or if we establish a regional advertising cooperative in your respective region during the term of your Franchise Agreement—we may require to you become a member, in which case you will contribute the Regional Advertising Cooperative Contribution to such cooperative. Shops that we and our affiliates own need not contribute to a Regional Advertising Cooperative. The Regional Advertising Cooperative Contribution may be increased upon a majority vote of such regional advertising cooperative's members.
Required Minimum Expenditure for Local Advertising and Promotion	2% of Gross Sales	Weekly	Subject to change during the term of the Franchise Agreement, but subject to the Total Advertising Spend. The required minimum expenditure for Local Advertising and Promotion is in addition to the Grand Opening Marketing requirement (see Item 5).
Technology Fee (the "Tech Fee")	Currently, $0. See Remarks	Weekly	Currently, we do not require you to pay a Tech Fee, but if and when we implement the Tech Fee, the fee will not exceed $125 per week. However, this is not a limit and we reserve the right to increase the Tech Fee at any time upon notice to you to account for a pass through of any increases in third-party technology costs that we incur on behalf of the System as well as increases in the consumer price index.
Insufficient Funds Fee	$50 per occurrence, subject to state law	On demand	Payable each time we attempt to debit your bank account for payments you owe us when the bank account has insufficient funds.
Late Payment Fee	20% on overdue amounts, subject to state law	On demand	You will be responsible for a Late Payment Fee on any amounts not paid within 15 days of when they were due to us or our affiliates.

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
Interest	1.5% per month, or the maximum interest rate permitted by law	On demand	You will be responsible for Interest on any amounts not timely paid to us or our affiliates.
Non-Compliance Fee	$500 per instance of non-compliance, plus $500 for each week that such non-compliance remains uncured	On demand	The Non-Compliance Fee is in addition to (and not in lieu of) all of our other rights and remedies (including without limitation with respect to default and termination).
Relocation Fee	$10,000 plus our actual reasonable costs	On demand	You may not relocate your Shop without first obtaining our written approval for the new Shop location.
Delayed Opening Fee	$500 per week for each week the Shop's opening date is delayed	Weekly	We may immediately terminate the Franchise Agreement with no opportunity to cure if you fail to open your Shop by the agreed-upon opening date. However, we may decide in our sole discretion not to immediately terminate the Franchise Agreement if you agree to pay us the Delayed Opening Fee. Even if we decide to collect the Delayed Opening Fee, we reserve the right to terminate the Franchise Agreement at any time upon notice.
Financial Statement/Tax Return Late Fee	$50 per month	On demand	You are required under the Franchise Agreement to provide us with periodic financial statements and tax returns. If you do not timely furnish us with those documents, you will pay us a late fee of $50 for each month the documents are overdue.
Management Fee	Greater of (i) two times the compensation paid to the individual(s) assigned by us to operate the Shop, or (ii) 10% of the Shop's weekly Gross Sales, plus reimbursement of our actual expenses to manage and operate your Shop	Weekly	Payable if we determine that the operation of your Shop is in jeopardy, you default, you are absent for any reason, or you are incapacitated or ill, and we determine that we must manage and operate your business to prevent an interruption of the Shop which would cause harm to the System.
Advertising and Promotional Materials Handling Fee	10% of actual cost	On demand	We may (but do not undertake the obligation to) provide you with advertising and promotional materials upon your request, and we have the right to charge you 10% above the actual cost of such materials as our handling fee.

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
Franchisor Products and Services	See Note 2.	When you place orders for products	We reserve the right to require that you purchase certain products, goods, supplies and services that we designate, whether proprietary, non-proprietary, trademarked or otherwise, from us, our affiliate or designee.
Audit Fee	Full cost of audit	On demand	Payable only if an audit reveals an understatement by you of 2% or more of Gross Sales on your weekly reports for any week within the period of examination. See Note 3.
Renewal Fee	25% of our then-current initial franchise fee	Prior to renewal	
Transfer Fee	50% of our then-current initial franchise fee	Prior to transfer	In addition to the transfer fee, you will reimburse us for the actual costs of our investigation of any proposed transferee.
Training Fee	$2,000 per trainee	On demand	Payable if any substitute or additional trainees attend the initial training program. If the Franchise Agreement is for your first Shop, we will furnish our initial training program to your initial Operating Principal and Shop Manager at no charge.
Additional On-Site Training Fee	$2,000 per training representative per week, plus reimbursement for our actual expenses incurred in connection with additional on-site training	On demand	Payable if we provide on-site opening training beyond 5-15 days of on-site opening training for your first Shop, or if we provide additional on-site training or assistance at your request (which we may provide but do not undertake the obligation to provide).
Ongoing Training Fee	$2,000 per week per trainee	On demand	Payable if we develop additional training programs and require that you, your Operating Principal, and/or other staff or personnel attend such programs.
Annual Franchisee Meeting Fee	$1,500 per attendee	On demand	We may (but need not) hold annual franchisee meetings and reserve the right to charge our then-current attendance fees for such meetings.

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
Insurance/Trade Account Fees	Reimbursement of our actual costs	On demand	If you fail to purchase insurance according to the requirements of the Franchise Agreement, and we purchase insurance on your behalf, you will immediately pay or reimburse us for the required premiums. If you do not maintain your trade accounts, we may pay any or all of the accounts on your behalf, and you will make immediate repayment to us.
Brand Payment Programs	The then-current fees and costs charged by third-party vendors	On demand	We may require you to participate in pre-paid system programs (gift cards, gift certificates, etc.), customer loyalty programs, membership/subscription programs, customer incentive programs, customer online ordering programs, and/or mobile application programs. You will be responsible for the expenses, technology, and equipment required to participate in such programs.
National Gift Card Program – Administrative Charges	If established, approximately 20% of value of Shipley Do-Nuts gift cards issued/sold by third-party retailers (i.e., not by Shipley Do-Nuts Shops) for eventual redemption at Shipley Do-Nuts Shops; amount may change in future based on charges by third-party gift card program administrator.	Cost is recovered upon issuance of gift cards	If established, the third-party gift card program administrator retains this amount upon issuance/sale of gift cards by third-party retailers to cover costs of its administrative services and pays balance of amounts received to us, our affiliate or designee ("Gift Card Co"). When customer redeems gift card at your Shop, Gift Card Co pays you the balance of the value of the transaction after the administrative charge holdback. However, Royalty Fees and System Brand Fund contributions you pay (and your other payment obligations under the Franchise Agreement based on Gross Sales) are calculated on the full value of each gift card redemption (i.e., 100% of the sale). This arrangement does not apply to redemptions of gift cards issued/sold directly by Shipley Do-Nut Shops. Neither we nor our affiliates receive any portion of the administrative charge holdback.
Loyalty Program	The then-current cost, currently: $115 per month per Shop	As incurred	The fees associated with the Loyalty Program are payable to our third-party designated vendor and subject to change.

(1) Type of Fee	(2) Amount	(3) Due Date	(4) Remarks
Cost of Enforcement or Defense	Reimbursement of our actual costs	On demand	If we are the prevailing party in any action arising out of or relating to the Franchise Agreement or the relationship between you and us, we are entitled to recover from you all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by us in successfully enforcing any provision of our agreements with you. If we incur attorneys' fees or other expenses in seeking enforcement of our agreements, you will be required to reimburse us for our reasonable costs and expenses, including attorneys' fees. See Note 4.
Liquidated Damages	Royalties for remainder of term, based on prior 12 months of Royalties paid or owed.	If incurred	Only due if we terminate due to your default.

Notes to Item 6 Table

Unless otherwise stated, all fees on the table above are nonrefundable and the fee or its formula is uniformly imposed (except for certain existing franchisees who qualify for incentives that were in place prior to the issuance date of this Disclosure Document).

[1] You agree to pay us a Royalty Fee equal 5% of your previous week's Gross Sales. "Gross Sales" means all revenues and income from any source that you derive or receive from, through, by or on account of the operation of the Shop (including on account of any and all goods, merchandise, services or products sold in or from your Shop, including in-store, dining, carry-out, online orders, delivery, third-party voucher sales, gift cards, catering or otherwise, or which are promoted or sold under the Marks or by using the System and the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible), whether received in cash, in services, in kind, from barter and/or exchange (valued at the full retail value of the goods or services received), on credit (whether or not you ultimately receive payment on credit transactions), or otherwise. Gross Sales excludes: (a) sales taxes, value added or other tax, excise or duty legally charged to customers, based on sales at or from your Shop; and (b) tips, gratuities or service charges paid directly by customers to your employees or paid to you and promptly turned over to your employees in lieu of direct tips or gratuities. For items sold pursuant to coupons or other discounts (which we must approve), Gross Sales also excludes the amount discounted from the purchase price of such items and from sales of pre-paid gift cards and certificates.

We reserve the right to require you to submit a signed weekly report to us reporting all Gross Sales for the preceding week and your calculation of the Royalty Fee. On or before Monday of each week, you agree to pay us the Royalty Fee due for the preceding week, as specified in your weekly report. We shall have the right to withdraw funds from your designated bank account by electronic funds transfer in the amount of the Royalty Fee, and other payments due to us and/or our affiliates.

[2] You must buy from us, our affiliates or our designees any and all products, goods, suppliers and services that we designate, whether proprietary, non-proprietary, trademarked or otherwise (collectively, the "Franchisor Products and Services"). The Franchisor Products and Services will be

sold to you in accordance with the then-current prices, delivery terms and other terms related to the sale of such Franchisor Products and Services, which are subject to change from time to time. We may earn a profit on the sale of these items to you.

[3] If an audit reveals that you understated the Gross Sales on the weekly reports you submitted to us by more than 2% but less than 5% for any week or for the entire period, when compared with your actual Gross Sales, then you must immediately pay us the cost of the audit and the additional amounts owing, plus interest.

If you understated your Gross Sales by 5% or more for any week or for the entire period, we can terminate the Franchise Agreement and you must pay us the cost of the audit and the additional amounts owing, plus interest. If you understated your Gross Sales by 2% or less for any week or for the entire period, you must immediately pay us the amount due, plus interest, but we will pay the cost of the audit.

The percentages described in this footnote are fixed and will not change during the term of the Franchise Agreement.

[4] If we become a party to any proceeding brought against us by a third party relating to the Franchise Agreement, any and all related agreements, or your Shop, or if we become a party to any litigation or insolvency proceeding involving you under any bankruptcy or insolvency code, then you must pay us our reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur.

If we terminate the Franchise Agreement for your default, or if you terminate the Agreement through non-payment, you must pay us all our expenses from your default or termination, including reasonable attorneys' and experts' fees.

If you default in the performance of your obligations or breach any term or condition of the Franchise Agreement, then we have the right (but not the obligation) to cure such default or breach and require that you reimburse us for the costs and expenses we incur in curing such default or breach.

[5] We will have the right to make inflation adjustments to the fixed-dollar amounts under the Franchise Agreement if there are changes in the Consumer Price Index published by the U.S. Bureau of Labor Statistics (“BLS”) or if the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT*
FRANCHISE AGREEMENT – ONE SHOP

(1) Type of expenditure	(2) Amount Low	(2) Amount High	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Initial Franchise Fee (Note 1)	$40,000	$40,000	Lump Sum	Upon Execution of Franchise Agreement	Franchisor
Travel and living expenses while training (Note 2)	$1,000	$10,000	As Incurred	Prior to Opening	Airlines, Hotels, Restaurants
Lease Deposits/Payments (Note 3)	(Note 4)	(Note 5)	(Note 3)	(Note 3)	(Note 3)
Furniture, Fixtures and Equipment (Note 4)	$123,952	$231,449	Per Contract	Prior to Opening	Approved Suppliers
Technology and POS Systems (Note 4)	$35,782	$51,541	Per Contract	Prior to Opening	Approved Suppliers
Leasehold Improvements (Note 5)	$238,653	$375,123	Per Contract	During Construction	Approved General Contractors
Signage	$10,552	$34,885	Per Contract	Prior to Opening	Approved Suppliers
Opening Inventory – Food Items (Note 6)	$20,000	$23,500	Lump Sum	Prior to Opening	Shipley Supply Co and Supply and Other Approved Suppliers
Opening Inventory – Non-Food Items (Note 6)	$1,500	$3,000	Lump Sum	Prior to Opening	Approved Suppliers

* Unless otherwise stated, none of the expenses on this chart is fully refundable.

(1) Type of expenditure	(2) Amount Low	High	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Grand Opening Marketing Campaign (Note 7)	$5,000	$20,000	As Incurred	Prior to Construction	Various Agencies or Us
Utility and other Security Deposits (Note 8)	$1,500	$5,500	As Incurred	Prior to Opening	Various Utilities
Insurance (Note 9)	$1,000	$2,000	Lump Sum	Prior to Opening	Insurance Carrier
Architectural/Legal (Note 10)	$11,573	$31,649	Per Contract	Prior to Opening	Attorney and Approved Architect
Licenses/ Permits	$1,000	$1,500	As incurred	Prior to Opening	Governmental Licensing Agencies
Additional Funds/Working Capital - 3 Months (Note 11)	$25,000	$25,000	As Incurred	As Incurred	Employees, Suppliers, Utilities
TOTAL	**$516,512 - $855,147 (excluding real estate purchase and lease costs) (Note 12)**				

Notes

[1] None of the fees shown on this table are refundable unless a supplier has a refund policy of which we are not aware. We do not finance any fee.

[2] For the development of your first Shop, we provide the Initial Training Program for you (if an individual), your Operating Principal and your Shop Manager at no charge. You pay all your trainees' living, lodging, food and transportation expenses. Travel expenses depend on where your home base is located, whether you and your trainees can commute by car to our training base, and the number of people receiving the Initial Training Program. Lodging, living and food expenses depend on number of people being trained and the class of accommodation. You pay all these expenses. The lower estimate in this range covers the expenses for individuals live locally or drive to training and incur minimal travel and lodging expenses and the higher estimate in this range covers the expenses for individuals who incur more expensive travel and lodging expenses due to distance traveled. This range goes not include the salaries of your trainees during training. See Item 11.

[3] A Shipley Do-Nut Shop occupies approximately 1,400 to 2,000 square feet of leased space, typically in an in-line (strip) shopping center in an urban or suburban commercial area. Your investment could be substantially higher if you decide to buy property for your Shipley Do-Nut Shop or to lease space in an enclosed mall or similar high-rent facility. Rent depends on geographic location, space size, local rental rates, businesses in the area, site profile, and other factors. We cannot estimate precisely

your initial real estate investment. Landlords typically charge a security deposit equal to one month's rent and also may have site lease deposits that vary according to location. Utility and other companies typically charge security deposits that vary by locale and in relation to the customer's credit history. Insurance companies may request deposits or prepayment of premiums. Some of these security deposits will be refundable depending on your agreement with the landlord or the utility and other companies.

[4] The cost of equipment, furnishings, fixtures, point of sale system, small wares and other such items will vary according to the size and location of the Shipley Do-Nuts Shop and the prices charged by the various approved suppliers. You must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment (the "Computer and Point of Sale System"). You must obtain high-speed communications access for your Computer and Point of Sale System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your Shop.

[5] You may already own or rent an appropriate space for your Shop, or your cost of construction or leasehold improvement for your Shop may be minimal. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any). You must submit to us for our prior written approval, which approval we will not unreasonably withhold, a layout for the interior of, and a set of preliminary plans for, your Shop. You must employ architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout and plans for the Shop, including any changes required by the landlord. Typically, you and the contractor you employ will negotiate a payment schedule. Generally, the landlord provides the space with demolition complete, exterior walls drywalled; an acoustical drop ceiling; working HVAC; and plumbing and electrical service to the space, or an equivalent amount of free rent to offset these costs. The contractor will install the leasehold improvements. Except for modifications that we require, you may not modify the design, plans or signage of your Shop at any time without our advance written permission. The estimate set forth in the table above does not include cost for a new building, as neither new construction nor building from the ground up is typical or contemplated for a franchise.

[6] Before opening your Shop, you must purchase an initial inventory of products and supplies from designated or approved suppliers, which may include us or our affiliates. Initial inventory consists of various food products, beverages, paper products, smallwares, cleaning supplies and other supplies utilized in the operation of the Shop. Opening inventory costs vary depending upon the shop's size, location and expected sales levels. You will be required to purchase from us or our affiliate, Shipley Supply Co, an initial inventory of our proprietary donut mixes, filling and icings, fry shortening, sugar, flour, kolache fillings, branded packaging materials, as well as meats, cheeses, coffee beans and grounds, specialty drinks and other related products and services at an estimated cost of approximately $20,000 to $23,500. See Item 8. Supplies such as napkins, boxes, cups and the like may be purchased from Shipley Supply Co or from other suppliers that have been approved in writing.

[7] The Grand Opening Marketing Campaign generally covers the period equal to one month prior to and six months after the opening of your Shop. The low end estimate assumes that we approve you to operate your Shop at a non-traditional location and that we agree to reduce your Grand Opening Marketing Expenditure to $5,000 accordingly, and the high end estimate assumes that you are required to comply with the standard $20,000 Grand Opening Advertising Expenditure. Typically you will pay our approved advertising vendors directly for advertising services after we approve the Grand Opening Marketing Campaign; however, we reserve the right to require you to pay the Grand Opening Marketing Expenditure directly to us so that we may conduct the Grand Opening Marketing Campaign on your behalf.

[8] Security deposits, including the amounts required for prepayments of utilities, will depend upon the local utility companies and the practices within the particular geographic market in which you are doing business.

[9] The amounts shown in the table are based on a twenty-five percent (25%) down payment on the minimum required insurance as discussed in Item 8 of this disclosure document. The cost of coverage will vary based upon the area in which your Shop will be located, your experience with the insurance carrier, the loss experience of the carrier, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums.

[10] These fees are representative of the costs for engagement of professionals for the start-up of a Shop. We strongly recommend that you seek the assistance of attorneys and accountants for the initial review and resulting advisories concerning this franchise opportunity, this disclosure document, and subsequently, the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as a part of starting your Shop. The estimated rates in this chart are based upon professional fees typically charged in the Schaumburg, Illinois area. It is best to ask your professional advisors for a fee schedule before engaging them to perform any services on your behalf.

[11] This is an estimate of the additional funds you may need to operate your business during the first three months after you open your Shop. You may have additional expenses in starting the Shop which are not contemplated in this Item 7. The Item 7 estimate includes such items as initial payroll taxes, ongoing Royalty Fees, professional and accounting fees, additional advertising, insurance, health insurance and workers' compensation, rent, 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) and other unforeseen miscellaneous items. The expenses you incur during the initial start-up period will depend on factors such as the time of year you open, local economic and market conditions, your experience and business acumen, competition, and the sales level you reach during this initial period. Additional operating expenses will be incurred in connection with the ongoing operation of your Shop.

[12] In compiling these estimates, we relied on our many years of experience in franchising Shipley Do-Nuts Shops. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, the time it takes to build sales of the establishment, and your skills at operating a business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your creditworthiness, collateral that you may make available, and the policies of local lending institutions. The estimate set forth in the table above does not include cost for a new building, as neither new construction nor building from the ground up is typical or contemplated for a franchise.

YOUR ESTIMATED INITIAL INVESTMENT
MSDA – THREE TO FIVE SHOPS

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Development Fee (for between 3 and 5 Shops) (Note 1)	$60,000 to $80,000	Lump Sum	When MSDA is Signed	Us
Professional Fees (Note 2)	$2,000 to $4,000	As Arranged	As Arranged	Attorney, Accountant
Total (Note 3)	**$62,000 to $84,000**			

Notes

[1] The Development Fee will vary depending on the number of Shops you commit to develop under the MSDA, and is calculated as follows: (a) 100% of the Initial Franchise Fee (i.e., $40,000) for the first Shop to be developed under the MSDA plus (b) $10,000 multiplied by the remaining number of Shops to be developed under the MSDA. The low end of this estimate assumes that you will develop three Shops under the MSDA and the high end of this estimate assumes that you will develop five Shops under the MSDA; however, this is not a maximum. The Development Fee is non-refundable.

[2] We recommend strongly that you engage the services of professionals to assist you in evaluating our franchise and to enter into the MSDA. This will include attorneys and accountants. Actual cost depends on the work done by your attorneys and accountants and their rates.

[3] If you sign a MSDA, the estimated initial investment for the first Shop you open thereunder is as disclosed in the Item 7 table above for individual Franchise Agreements (i.e., between $516,512 to $855,147, excluding real estate purchase and lease costs). You should be aware that the initial investment (the estimate of which is disclosed in the Item 7 table above for a single Shop under a Franchise Agreement) for your second and subsequent Shops, however, will likely be higher than for your first Shop due to inflation and other economic factors that may vary over time. In addition, we expect that if you need a vehicle to view potential sites, oversee the build-outs, supervise multiple locations, etc., you will already have such a vehicle prior to your acquisition of development rights that you can use for this purpose, so have not included these costs.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must sell all products, services and programs which now or in the future are part of the System unless, as to any one or more items, sale is prohibited by local law or regulation or we have granted you our advance written approval to exclude a product, service or program from the offerings at your Shop.

You must purchase certain products, supplies, equipment, materials and services from us or our affiliates, from suppliers we designate in writing; from suppliers you propose and we approve; and/or, if we do not designate a particular supplier, then in accordance with our written specifications. All such designated sources and specifications are subject to addition, modification, revocation and/or deletion by us from time to time upon notice to you. If we revoke or delete any product, supply, equipment, component or any approved supplier, then you must cease using any such disapproved item (or any items purchased from a revoked source of supply) which are inventoried by your Shop within 10 days of written notice from us, unless the

item or source of supply poses a threat to the health or safety of the public, in which case you must cease using the item or source immediately upon oral or written notice from us. We may from time to time provide you with specifications governing the minimum standards of products, services and/or equipment required to be used in or sold by your Shop, for which we do not designate a required source of supply. We will set forth such specifications in our Manual or in other written notices we transmit to you. We may add to, modify or revoke our specifications in writing from time to time.

You must purchase from us, our affiliates (including Shipley Supply Co) or our designees any and all products, goods, supplies and services that we designate, whether proprietary, non-proprietary, trademarked or otherwise (collectively, "Franchisor Products and Services"). Franchisor Products and Services must be purchased in accordance with the purchase order format issued from time to time by us or our affiliates, which may include our online ordering portal. We and our affiliates (including Shipley Supply Co) may serve as an approved supplier and/or a sole approved supplier of goods, services, products, and/or supplies purchased by you.

We may (but will not be required to) also provide you with approved sources of supply for your Shop's furniture, fixtures, equipment, signs and/or other trade dress elements. We reserve the right to be (and earn a profit as) an approved source or the only approved source of certain of your Shop's furniture, fixtures, equipment and/or other trade dress elements. We may designate an architect, a general contractor, real estate broker, site assessment firm, permit expeditor, and/or certain other professionals whose services you will be required to use, at your own expense, for the development of your Shop.

In addition, we may, in the exercise of our business judgment, enter into supply contracts either for all Shipley Do-Nuts Shops or a subset of Shipley Do-Nuts Shops situated within one or more geographic regions (each, a "systemwide supply contract"). We may enter into systemwide supply contracts with one or more vendors of products, services or equipment that all company-owned and franchised Shipley Do-Nuts Shops in a geographic area will be required to purchase, use or sell. If we do so, then immediately upon notification, you, we and all other Shipley Do-Nuts Shops in the geographic area must purchase the specified product, service or equipment only from the designated supplier.

You must procure and install the Computer and Point of Sale System that we require at each Shop, as stated in the Manual, in the Franchise Agreement or as otherwise specified by us. We or our affiliates do not currently have proprietary computer software that we require you to use. If we or our affiliates develop proprietary computer software and/or designate or develop other mandatory components of the Computer and Point of Sale System in the future, you will be required to purchase such software or other components from us or from any such third-party supplier we designate at our then-current cost, pay our then-current support and maintenance fees associated therewith, use such software and other components, and execute any standard license agreements reasonably necessary to do so. You will also be responsible for paying for any future updates or revisions to the Computer and Point of Sale System. See Item 11.

You must purchase the following categories of insurance coverage in forms and through insurance companies satisfactory to us: (i) Commercial general liability coverage of at least $2,000,000 aggregate and at least $1,000,000 per occurrence; (ii) Cyber coverage of at least $100,000 for any claims related to credit card breaches; (iii) Property insurance on your Shop and property in an amount adequate to replace them in case of an insured loss; (iv) if any vehicle is operated in connection with the Shop, automobile liability insurance (including coverage for all owned, non-owned, leased or hired vehicles) with minimum liability of $500,000 combined single limit; (v) Workers' compensation, employer's liability and any other employee insurance required by any applicable federal, state or local law, rule or regulation (but in no event less than $1,000,000 for employer's liability insurance); (vi) Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under the Franchise Agreement; and (vii) Umbrella liability coverage in no event less than $1,000,000 per occurrence and $2,000,000 aggregate.

We do not currently maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier. To request our approval for an alternative supplier, you must submit a

written request to us for approval of the supplier. The supplier must meet our specifications to our reasonable satisfaction and must demonstrate to our reasonable satisfaction that it is in good standing in the business community for financial soundness and reliability of its product or service.

Shipley Supply Co is currently the sole approved supplier for a number of items, which products are then intended to be distributed through one or more designated approved distributors, including the following: donut mixes, filling and icings, fry shortening, sugar, flour, kolache fillings, branded packaging materials as well as meats, cheeses, coffee beans and grounds, and specialty drinks; however, we reserve the right to update and modify this list from time to time in our sole business judgment. You are expressly prohibited from purchasing these items from any source other than Shipley Supply Co. We reserve the right, from time to time, to designate additional products that must be purchased from us, Shipley Supply Co and/or our other affiliates or designees.

None of our officers owns an interest in any other third party approved suppliers.

During the 2025 fiscal year, we did not derive any revenue from required purchases or leases by our franchisees; however, our affiliate, Shipley Supply Co, received a sum of approximately $68,900,000 from required purchases by our franchisees. This figure represents 100% of total franchisee purchase revenues received by Shipley Supply Co. in the fiscal year 2025.

We currently negotiate certain purchase arrangements, including price terms, with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. We provide you with no material benefits (such as granting additional franchises) based on your use of designated or approved sources. We and our affiliates currently receive no payments or rebates from any supplier, nor do we nor our affiliates currently receive any special discount on purchases from any supplier for ourselves or themselves, in connection with purchases from our franchisees; however, we and our affiliates receive the right to receive such payments, rebates and/or special discounts from suppliers in the future.

We estimate that the required purchases described above are approximately 80% of the cost to establish and operate your Shop.

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ITEM 9 FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the Franchise Agreement and other agreements. They 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") and Multi-Shop Development Agreement ("MSDA")	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Sections 6.01 and 6.02, Exhibits A and B MSDA: N/A	Items 7 and 11
b.	Pre-opening purchases/leases	FA: Sections 8.09 and 8.10 MSDA: N/A	Items 6, 7, 8 and 11
c.	Site development and other pre-opening requirements	FA: Article 6 MSDA: Section 2	Items 7 and 11
d.	Initial and ongoing training	FA: Sections 7.02 - 7.06 MSDA: N/A	Item 11
e.	Opening	FA: Section 8.01 MSDA: N/A	Item 11
f.	Fees	FA: Article 5 MSDA: Section 3	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	FA: Section 7.01 and Articles 8 - 10 MSDA: Section 1.3	Items 7, 8, 11, 15 and 16
h.	Proprietary Marks and proprietary information	FA: Articles 13 and 14 MSDA: Sections 8.2 and 15	Items 13 and 14
i.	Restrictions on products/services offered	FA: Sections 3.02 and 8.09 MSDA: Section 8.2	Item 16
j.	Warranty and customer service requirements	FA: N/A MSDA: N/A	Item 16
k.	Territorial development and sales quotas	FA: N/A MSDA: Section 2 and Exhibits 1 and 2	Item 12
l.	Ongoing product/service purchases	FA: Section 8.09 MSDA: N/A	Items 6 and 8

Obligation		Section in Franchise Agreement ("FA") and Multi-Shop Development Agreement ("MSDA")	Disclosure Document Item
m.	Maintenance, appearance and remodeling requirements	FA: Sections 6.04, 6.06, 6.07 and 15.01 MSDA: N/A	Item 11
n.	Insurance	FA: Article 9 MSDA: N/A	Item 6
o.	Advertising	FA: Article 11 MSDA: N/A	Item 11
p.	Indemnification	FA: Article 10, Sections 12.03, 14.07 and 16.04 MSDA: Section 13	Item 6
q.	Owner's participation/ management/staffing	FA: Sections 8.08, 8.19 and 8.20 MSDA: N/A	Item 15
r.	Records and reports	FA: Article 12 MSDA: N/A	Item 6
s.	Inspections and audits	FA: Sections 8.04 and 12.02 MSDA: N/A	Item 6
t.	Transfer	FA: Article 16 MSDA: Sections 21 and 22	Item 17
u.	Renewal	FA: Section 4.02 and Article 15 MSDA: N/A	Item 17
v.	Post-termination obligations	FA: Article 19 MSDA: Section 24	Item 17
w.	Non-competition covenants	FA: Article 13 MSDA: Section 19 and Exhibit 5	Item 17
x.	Dispute resolution	FA: Article 21 MSDA: Section 25	Item 17
y.	Other: Guarantee	FA: Section 22.09 and Exhibit E MSDA: Section 10 and Exhibit 4	Item 15

ITEM 10 FINANCING

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

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

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

Pre-Opening Obligations

Before you open your Shop, we will:

(1) Approve or disapprove a site selected and proposed by you for your Shop Location. We do not generally own sites for leasing to franchisees but we in limited circumstances sublease certain sites to franchisees. We do not intend to do so but reserve the right to conduct these activities in the future. We reserve the right to require you to use a broker we may but need not specify to locate a site. (Franchise Agreement, Section 6.01)

We may require you to submit maps, completed checklists, photographs, copies of proposed leases, diagrams of the premises with measurements, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site, and other information and materials which we may reasonably require to evaluate your proposed Shop Location. We may also require you to pay for a site survey form a vendor we may (but need not) specify and/or visit your proposed Shop Location but the Franchise Agreement does not require us to do so. (Franchise Agreement, section 6.01)

We consider the following factors in approving sites: the market potential and estimated volume of your Shop; the general location and neighborhood and nearness to customers; store visibility; traffic patterns; co-tenant attractiveness; size of the space; age and condition of the shopping center or building; the location and convenience of entrances; the availability of parking; the availability of locations and necessary zoning; the location of competitors; expected overhead; lease terms; and, traffic patterns.

(2) Approve or disapprove the lease or purchase agreement for the Shop Location within 20 business days after we receive it. If we do not communicate our approval or disapproval to you in that time, and if the Lease is accompanied by a rider containing the required provisions of Exhibit B to the Franchise Agreement, the agreement will be considered approved. If you fail to sign a lease approved by us (or provide proof of ownership or an executed contract of sale) for your Shop Location we have approved within 3 months following the effective date we sign the Franchise Agreement, then you will be in material breach and we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Sections 6.01 and 6.02)

(3) Review, and/or cause our designees to review, your final plans and specifications for the Shop and approve or provide comments on the plans and specifications to you. Although the Franchise Agreement does not require us to do so, we may have an interior designer make visit(s) to your Shop Location, and you agree to allow those visits, in order to assist us in determining whether to approve your final plans and specifications. You may not commence construction of the Shop until we approve the final plans and specifications in writing. We may designate an architect, general contractor, real estate broker, site assessment firm, permit expeditor, and certain other professionals whose services you will be required to use, at your own expense, for the development of your Shop. Shop. (Franchise Agreement, Sections 6.03 and 6.04)

(4) Specify the formats and reporting requirements which you will use to account for your Shop. We may but need not specify the electronic and/or written accounting and MIS Systems, procedures, you use. (Franchise Agreement, Section 7.07)

(5) Lend you a copy of or provide you with electronic access to the Confidential Operating Manual (the "Manual"). You must strictly comply with the Manual in operating your Shop. We can change the Manual, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement. (Franchise Agreement,

Section 7.01) As of the Issuance Date of this disclosure document, the Manual consists of approximately 142 pages. The Table of Contents of the Manual as of the date of this disclosure document is disclosed as Exhibit J

(6) Furnish you with any written specifications for required products and services. (Franchise Agreement, Section 8.09)

(7) Directly or indirectly through our affiliate, sell you certain products. (Franchise Agreement, Section 8.09)

(8) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 11.01)

(9) We have no obligation to assist you in establishing prices for products and services. However, if we determine to do so, we may exercise rights concerning franchisee pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered and sold at your Shop; recommending retail prices; advertising specific retail prices for some or all products or services sold by your Shop, which prices you will be compelled to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"); designating the prices sold through online ordering and third-party delivery; designating pricing tiers with which you and other Shipley Do-Nuts shops must comply depending on factors we determine in our sole business judgment; and generally otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Shop may charge the public for the products and services it offers. We may do so only in certain geographic areas (cities, states, regions) and not others, or with regard to certain groups of franchisees and not others. Any maximum, minimum or other prices we prescribe or suggest may or may not optimize the revenues or profitability of your Shop. (Franchise Agreement, Section 8.03)

Obligations After Opening

During the operation of your Shop, we will:

(1) Furnish you with the field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Shop. The timing of these services will be subject to the availability of our personnel. (See Franchise Agreement, Section 7.06)

(2) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 11.01)

(3) Furnish you with any specifications for required products and services. (Franchise Agreement, Section 8.09)

(4) Directly or indirectly through our affiliate, sell you certain products. (Franchise Agreement, Section 8.09)

(5) We have no obligation to assist you in establishing prices for products and services; however, if we determine to do so, we may engage in the pricing activities described above in this Item 11. (Franchise Agreement, Section 8.03)

Advertising

We reserve the right to require you to spend up to 5% of your weekly Gross Sales (your "Total Advertising Spend") in the form of fees, payments, and expenditures related to our advertising, marketing and

promotional programs. We have the right to determine and modify from time to time in our sole business judgement the required allocation of your Total Advertising Spend among the System Brand Fund, Regional Advertising Cooperatives (if applicable) and Local Advertising and Promotion. Various franchisees may be subject to different Total Advertising Spend requirements and allocations depending on a number of factors we determine in our sole business judgement. (Franchise Agreement, Section 11.01)

System Brand Fund

We have established a System Brand Fund (a "Fund"). You must pay us a System Brand Fund Fee equal to 1% of previous week's Gross Sales (which may be subject to increase upon notice up to the Total Advertising Spend requirement. (Franchise Agreement, Sections 5.03 and 11.01)

We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures for you that are equivalent or proportionate to your contributions. We need not ensure that any particular franchisee benefits directly or proportionately from Fund advertising. The Fund is not a trust and we are not a fiduciary.

The Fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local marketing. This includes: production and media; television, radio, cable, magazine, newspaper and digital and social media advertising campaigns; other advertising, marketing and public relations and promotional materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Shipley Do-Nuts website; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the System and for competitive networks or units); conducting cryptocurrency, non-fungible token (NFTs) and other blockchain promotions; developing and maintaining a presence on any virtual platform (including, without limitation, the metaverse); celebrity endorsements; related retainers; association dues (including the International Franchise Association); social media programs on the internet; cellular telephone and smartphone media programs; other activities that we believe in our sole judgment are appropriate to enhance, promote and/or protect the System; and, engaging advertising agencies to assist in any or all of the above activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other public relations and advertising agency fees.

We need not maintain the money paid by franchisees to the Fund and income earned by the Fund in a separate account, but we may not use this money for any purposes other than those provided for in the Franchise Agreement. We can spend money from the Fund for our reasonable administrative costs and overhead for activities reasonably related to the administration of the Fund and advertising programs for franchisees, including, for example, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures described below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund.

Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the fiscal year just ended. We will send you a copy of this statement upon request.

We will spend most contributions to the Fund for advertising purposes during the fiscal year in which the contributions are made. If we spend more than the amount in the Fund in any fiscal year (in addition to any money we have to spend because we did not spend all the money in the Fund during the year before), then we can reimburse ourselves from the Fund during the next fiscal year for all excess expenditures during the preceding fiscal year, with interest. If we spend less than the total in the Fund during any fiscal year, we can either spend the unused money during the next fiscal year or we can rebate all or a portion of the unused money to franchisees on a proportionate basis for them to spend on local advertising and promotion.

We can use whatever media, create whatever programs and allocate brand funds to whatever regions or localities we consider appropriate. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total System Brand Fund contributions collected from all Shipley Do-Nuts franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of such System Brand Fund contributions to franchisees on a proportionate basis. You must spend any rebate on the types of local advertising and media that we determine (or, if we direct, in accordance with the local advertising and promotion requirements of the Franchise Agreement) according to a plan and budget we review and approve in advance. You must document all rebate advertising expenditures to us in a monthly rebate advertising expenditure report form.

The Fund will not be used for any activity whose sole purpose is the sale of franchises. However, the design and maintenance of our Web site (for which Fund monies may be used) may include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of the Shipley Do-Nuts brand and the franchise opportunity.

Although we intend the Fund to be perpetual, we can terminate the Fund. We will not terminate the Fund until it has spent all money in the Fund for advertising and promotional purposes. (Franchise Agreement, Section 11.02)

During our 2025 fiscal year, we did not collect any System Brand Fund Contributions or spend any Fund income.

Regional Advertising Cooperatives

We have established certain historic regional advertising cooperatives (each, a "Regional Advertising Cooperative") to which certain existing franchisee members in the respective regions contribute 1% of their Shop's weekly Gross Sales (the "Contributions"). The Regional Advertising Cooperative Contribution may be increased upon a majority vote of the members thereof. We or our third party representative will administer such Regional Advertising Cooperatives, will prepare an annual, unaudited statement of collections and expenses within 120 days after our fiscal year end and may, upon written request, provide a copy of the statement to members of that Regional Advertising Cooperative. The Regional Advertising Cooperative will be governed in the manner we prescribe. As of the issuance date of this Disclosure Document, we do not require new franchisees to pay into a Regional Advertising Cooperative (however, we may require certain historic franchisees to continue to do so); however, if there is a Regional Advertising Cooperative for the area in which your Shop is located, we may require and/or permit you to become a member and make Contributions thereto, which Contributions will be in addition to your obligation to pay us the Brand Fund Fees and to make the local advertising expenditure, but will be subject to your Total Advertising Spend requirement. We may from time to time in the future, in our sole discretion, establish, change, merge or dissolve one or more Regional Advertising Cooperatives in any area, or we may approve the creation of such a Regional Advertising Cooperative by franchisees in the System, and establish the rules and regulations therefor. Shops that we and our affiliates own need not contribute to a Regional Advertising Cooperative. We need not ensure that any member benefits directly or pro rata from such Contribution. We undertake no trust or fiduciary relationship relating to any Regional Advertising Cooperative. We are not responsible for the actions of the Regional Advertising Cooperative's representative. (Franchise Agreement, Section 11.04)

Advertising Council

There is no advertising council composed of franchisees. However, we reserve the right to form, change, or dissolve a franchisee advertising council.

Grand Opening Marketing

Prior to scheduling your Initial Training Program, you and we will discuss the grand opening marketing campaign for your Shop, which will generally cover the period equal to 1 month prior to and 6 months after

opening of your Shop ("Grand Opening Marketing Campaign"). You must spend at least $20,000 on the Grand Opening Marketing Campaign (the "Grand Opening Expenditure") and we reserve the right to require you to pay the Grand Opening Marketing Expenditure to us prior to the date you start construction on your Shop, in which case we reserve the right to conduct the Grand Opening Marketing Campaign on your behalf. If we do not conduct the Grand Opening Marketing Campaign on your behalf, we must approve the Grand Opening Marketing Campaign in advance; the Grand Opening Marketing Campaign must be effected through our approved advertising vendors; and you must present us with such documentation as we require (such as, by way of example, receipts, invoices, etc.) evidencing your full satisfaction of, and/or commitment to fully satisfy your Grand Opening Marketing Campaign. (Franchise Agreement, Section 11.03)

Ongoing Local Advertising and Promotion

In addition to the Grand Opening Marketing expenditure, you agree to expend at least 2% of the previous week's Gross Sales on Local Advertising and Promotion, on an ongoing basis for term of the Franchise Agreement. "Local Advertising and Promotion" means the local or regional advertising and promotional activities that we specify in our Manual or otherwise or approve in advance. You will not be entitled to a credit against your minimum Local Advertising and Promotion requirement for contributions made to a Regional Advertising Cooperative (except as subject to the Total Advertising Spend). (Franchise Agreement, Section 11.03)

Other Advertising Information

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your geographic area. We may advertise using print, radio and television, with local, regional and national coverage. We may employ both an in-house advertising department and national or regional advertising agencies. (Franchise Agreement, Section 11.02)

You may develop advertising materials for your own use, at your own cost. As stated above, we must approve these advertising materials in advance and in writing, but if we do not respond within 10 business days after receiving your proposed advertising material, the material is disapproved. (Franchise Agreement, Section 11.01)

Websites and Social Media

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URL's") and, if we do, we may design and provide for the benefit of your Shop a "click through" subpage at each such website for the promotion of your Shop. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at each such website for the promotion of your Shop, you agree to routinely provide us with updated copy, photographs and news stories about your Shop suitable for posting on your Shop's "click through" subpage, the content, frequency and procedure of which will be specified in our Manual. Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Shipley Do-Nuts Shops – also be devoted in part to offering Shipley Do-Nuts franchises for sale and be utilized by us to exploit the electronic commerce rights which we alone reserve. We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Shipley Do-Nuts website we establish and maintain, including any and all material you may furnish to us.

You may not maintain your own website; otherwise maintain a presence or advertise on the internet / virtual platform (including without limitation the metaverse); develop a non-fungible token (NFTs) or develop or maintain any other mode of electronic commerce in connection with your Shop; establish a link to any website we establish at or from any other website or page; or, at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the name "Shipley", "Shipley Do-Nuts", any of our other Marks, or any name or variant confusingly similar thereto.

You are not permitted to promote your Shop or use any of the Marks in any manner on any social media (as

defined below), without our prior written consent. You must comply with our System standards regarding the use of social media in your Shop's operation, including prohibitions on your and the Shop's employees posting or blogging comments about the Shop or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, Instagram, TikTok, Snapchat, Reddit, YouTube, Vimeo, Pinterest, professional networks like LinkedIn, live-blogging tools like Twitter (X), virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We reserve the right to conduct collective/national campaigns via local social media on your behalf.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and systemwide communications (among other activities) can be effected. (Franchise Agreement, Section 8.11)

Computer and Point of Sale System

Before the opening of your Shop, you must purchase the back office, kitchen, front of house and point of sale systems, digital menu boards, data, audio, video, and voice storage, retrieval, and transmission systems for use at your Shop and between and among your Shop and us and/or you; physical, electronic, and other security systems; printers and other peripheral devices; archival back-up systems; internet access mode and speed; and other technology components we specify (collectively, the "Computer System") that we designate. You must obtain and maintain high-speed communications access that we require for your Computer System. You also must maintain at all times a functioning e-mail address for your Shop.

You must accurately, consistently and completely record, structure, capture and provide through the Computer System all information concerning the operation of the Shop that we require, in the form and at the intervals that we require. You must provide all assistance we require to bring your Computer System online with our computers at the earliest possible time and to maintain these connections as we require. You must record all sales in the Computer System and input and maintain in your Computer System all data and information which we prescribe in our Manual and otherwise. We will have independent access to Computer System and we may retrieve from Computer System all information that we consider necessary, desirable or appropriate. We will bear the costs of this information retrieval. You will provide to us all user ID's and passwords required to access files and other information stored on your Computer System. You will at all times ensure that the only personnel conducting transactions on your Computer System will be those who have been trained and qualified in accordance with the requirements of our Manual. (Franchise Agreement, Section 8.10)

The following is a general description of the Computer and Point of Sale System that you must purchase and maintain for each Shop: point of sale ("POS") systems, back office software systems, on-line ordering and delivery ("OLO") systems, video surveillance systems, network and firewall services for PCI compliance, terminals, tablets and other computers, communication systems (including drive-thru), accounting systems, inventory and labor control systems. The POS system will generally include at least four point of sale terminals and at least one tablet that is associated with the terminals. Each POS terminal will include a touchscreen, contactless payment capability, a customer–facing display, receipt printer, a cash drawer and a 2D scanner. The tablet is used for drive through service and includes a credit card reader. The PCI system will generally include network cabling and a firewall device. The video surveillance system includes up to 8 cameras and controller. Presently, the approximate cost of purchasing these items, including the activation fee, is from $11,000 to $12,000. The data recorded by your systems will reflect the sales made, the date of the sale, and the products sold in the transaction. In addition to these initial costs, the Franchisee will pay a $0.0.075 per credit card transaction (this is the current rate, it is subject to change, including with respect to increases based on annual CPI adjustments), not including card merchant fees, to the POS service provider we designate. The back-office system monthly fee will range from $50-$125 per month depending on modules selected. The required PCI technology and fee is $120 per month and the OLO (online ordering) fee is $40 per month plus $0.25-$0.50 per transaction. The loyalty program system allows for direct marketing to guests. This system is required and costs $115 per month. The annual POS software and hardware support and maintenance costs for required maintenance updating, or support relating to the POS technology is

included in what the Franchisee pays under its POS contract. We do not require any other maintenance contracts or costs for your Computer System. We anticipate that we may change our designated POS system at some point within the next year following the issuance date of this disclosure document, and if we do, the associated costs and fee structure that you will have to incur in connection with any then-designated POS system may be significantly different than those disclosed here.

You must, at your expense, keep your Computer System in good maintenance and repair. You shall make, from time to time, such upgrades and other changes to the Computer System and required software as we may require in writing. You agree to install at your own expense the additions, modifications, substitutions and/or replacements to your Computer System hardware, software, telephone and power lines and other Computer System facilities as we direct, on the dates and within the times we specify in our Manual or otherwise and to afford us unimpeded access to your Computer System and required software as we may request, in the manner, form, and at the times requested by us. There is no limit our ability to require you to update and/or upgrade your Computer System and required software or the cost of any update and/or upgrade.

We shall have the right, but not the obligation, to develop or have developed for us, or to designate: computer software programs and accounting system software that you must purchase, install and use, at your sole cost and expense, in connection with the Computer System; updates, supplements, modifications, or enhancements to the required software, that you must purchase, install and use, at your sole cost and expense; the tangible media upon which you shall record data; and, the database file structure of your Computer System. If we develop or have developed these items for you, you will be required to pay our then-current software fees associated therewith, use such software, and execute any standard form software license agreement reasonably necessary to do so. We reserve the right to be a source or the sole approved source for any such Computer System or software component and to earn a profit on such items. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third-party vendor establish. You are required to procure and use the inventory management software we specify from time to time, from a vendor we have approved. (Franchise Agreement, Section 8.10)

Training

Initial Training Program

Our initial training program (the "Initial Training Program") must be completed by your Operating Principal to our satisfaction no later than three months prior to the scheduled opening of your Shop. If your Operating Principal does not complete the Initial Training Program to our satisfaction in the time allotted, we can terminate the Franchise Agreement and you will not be entitled to a refund. We reserve the right to also require one or more of your managers to also attend the Initial Training Program. The Initial Training Program is comprised of two components, the "Owner Training" (which must be completed by your Operating Principal) and the "Manager Training" (which must be completing by your Operating Principal and, if required, your Shop managers). The Owner Training will last for approximately one to two days and the Manager Training will last for approximately six weeks. (Franchise Agreement, Section 7.02)

The following is description of our Initial Training Program as of the date of issuance of this disclosure document:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
1. Do-Nut preparation; Equipment maintenance	0	64	Existing Shipley Do-Nuts Shop in Houston, Texas
2. Counter sales; Display preparation	0	40	Existing Shipley Do-Nuts Shop in Houston, Texas

3. Management Training; Reporting; Marketing	104	32	Existing Shipley Do-Nuts Shop in Houston, Texas
TOTAL	104	136	

The Initial Training Program will take place at any location we designate (which may include a current operating Shipley Do-Nuts Shop, our headquarters or elsewhere). We will determine the date of commencement, location and duration of the Initial Training Program and notify you of them. We, in our sole judgment, may change, modify, amend or designate the content and process of the Initial Training Program at any time. The Initial Training Program may be conducted, as many times a year as is necessary. The instructional materials consist of our Manual, various print and electronic materials and videos that may be posted from time to time on our intranet portal. Nicole Holiday, Director of Training, has overall responsibility for the training program. Nicole has over 20 years' experience in the field relevant to the subjects taught and over 4 years' experience with our operations.

For the operation of your (or your affiliate's) first Shop, we will furnish the Initial Training Program to your initial Operating Principal and Shop Manager at no charge; however, you will be responsible for all travel and living expenses incurred by your trainees in connection with the Initial Training Program. For the operation of your (or your affiliate's) second or subsequent Shop, we are not required to provide the Initial Training Program.

Notwithstanding anything in the foregoing to the contrary, we reserve the right to require that, at any time upon notice to you, your Shop Manager and/or other personnel we designate complete the Initial Training Program to our satisfaction. If any substitute or additional trainees attend the Initial Training Program (except for the initial Operating Principal and Shop Manager for your first Shop as provided above), you will be required to pay us our then-current per person training fee (currently, $2,000 per person) and you will be responsible for all travel and living expenses incurred by the trainees in connection with the Initial Training Program. You (and/or your affiliates) are responsible for ensuring that the minimum number of people we require in your organization have successfully completed the Initial Training Program (each, a "Certified Trainer"), for maintaining that minimum number of Certified Trainers, and for the training of your Shop employees. (Franchise Agreement, Section 7.02)

On-Site Opening Training

For your (or your affiliate's') first Shop, we will also provide, at no additional expense to you, one or more of our training representatives for a period of between five and 15 days of on-site opening training during the Shop's opening ("On-Site Opening Training"). We may require the opening training team to remain on-site longer than 15 days, in our sole discretion. We will determine the number of opening training representatives and the time period over which their assistance will be provided, based upon our availability and assessment of the Shop's operational requirements. In addition, you may request additional on-site training or assistance at any time. We will not be obligated to provide any such additional on-site training or assistance, but if we elect to do so, we may impose our then-current per diem fee per training representative (currently $2,000), and you will be required to reimburse us for our expenses incurred in connection with such additional training, including our training representative's travel costs, meals, lodging and other living expenses. The timing of all advice, consultation and training provided will be subject to the availability of our personnel. (Franchise Agreement, Section 7.03)

Ongoing Training

We may from time to time develop additional training programs which you (if an individual), your Operating Principal and/or other staff or personnel we designate must attend and successfully complete. We will determine the duration, curriculum and location of these future additional training programs. We reserve the right to charge our then-current training fees for such programs (currently $2,000). You also agree to pay all of the expenses incurred by your trainees or attendees in connection with any additional training programs we develop, including their salaries, travel costs, meals, lodging and other living expenses. (Franchise Agreement, Section 7.04)

Franchise Meetings and Conferences

We may (but need not) hold annual franchisee meetings (on a regional, national basis and/or international basis) in order to provide additional training, introduce new products or changes to the System, or for other reasons we believe prudent. We will determine the duration, curriculum and location of these meetings. We reserve the right to designate that attendance at any franchisee meeting is mandatory for you, your Shop Manager, assistant Shop managers and/or other Shop personnel. We reserve the right to charge our then-current attendance fees (currently $1,500) for such annual franchisee meeting, and you shall pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. (Franchise Agreement, Section 7.05)

Field Support Services

After you open your Shop, we may from time to time and at your sole expense (including our staff's hotel and travel expenses) offer you field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Shop. The timing of our field support and headquarter consultation services will be subject to the availability of our personnel. (Franchise Agreement, Section 7.06)

Time to Open

You must open your Shop to the general public no later than (a) 10 months following the Effective Date of the Franchise Agreement, or (b) if we approve your Shop to be built from the ground up (i.e., the construction involves constructing a building from scratch, starting with an undeveloped parcel of land), 20 months following the Effective Date of the Franchise Agreement. (Franchise Agreement, Section 8.01) Historically it has taken an average of 12 months from signing the Franchise Agreement to open a Shop; however, with recent additional resources and improved processes, we estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Shop will be approximately between 7 and 10 months. Factors affecting time include obtaining all required state, local and other required government certifications, permits and licenses, procuring required insurance, attendance at and satisfactory completion of our Initial Training Program, obtaining a satisfactory site for your Shop Location, arranging for any financing, complying with local ordinances, completing delivery and installation of equipment and signs and procuring opening inventory.

ITEM 12 TERRITORY

Franchise Agreement

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

You may establish only one Shop at a location which you select and we approve (the "Shop Location"). We will grant you a protected territory equal to a one (1) mile radius around your Shop Location (the "Territory") within which neither we nor any affiliate will operate or grant a franchise for a Shop of the type franchised to you under the Franchise Agreement during the term thereof, except as provided below. We will describe your Shop Location in detail in Exhibit A to your Franchise Agreement.

Notwithstanding anything in the foregoing to the contrary, (a) if we grant our approval for your Shop to be located at a Nontraditional Location (as that term is defined below), which we are under no obligation to approve, then it will not have any Territory and (b) these restrictions do not apply to Shipley Do-Nuts Shops in operation, under lease, in construction or under other commitment to open in the Territory as of the Effective Date of the Franchise Agreement. If we, in our sole judgment, permit you to offer delivery from the Shop, you will be required to comply with our then-current standards regarding same (including, without limitation, the use of specified approved delivery service providers and the execution of required third-party agreements in accordance with same). If we permit you to do so, you will not have a protected delivery area

and customers may be able to order, pick up and take out from any Shop it so desires (even if within your Territory).

You may not relocate the Shop without our previous written approval. You must pay us a relocation fee equal to $10,000 and reimburse us for any reasonable costs we incur in considering your request. We will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to us and our affiliates, the proposed location meets our site selection criteria, and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect your proposed new location.

You may only offer and sell System programs, products and services in, at and from your Shop. Under no circumstance may you establish any physical presence besides from your Shop Location at or from which System programs, products or services are sold or furnished. You may only engage in the retail sale of System products and services.

You may not sell any System programs, products or services through any alternative channels of distribution, such as the internet/worldwide web/virtual platforms (including without limitation the metaverse) and other forms of electronic commerce; engage in cryptocurrency, non-fungible token (NFTs) and other blockchain promotions; "800" or similar toll-free telephone numbers; supermarkets, grocery stores or convenience stores; mail order; catalogs; ghost kitchens, cloud kitchens and other delivery-only concepts; or, any other channel of distribution whatsoever without our prior written approval. Notwithstanding the foregoing, if the Shop offers delivery, you will have the non-exclusive right to deliver products to customers within the Territory.

While the Franchise Agreement is in effect, we and our affiliates will not, in your Territory, operate ourselves, or grant franchises to third parties for, a Shipley Do-Nuts Shop of the type franchised hereunder, except as described below. Outside the Territory, we and our affiliates can operate any number of Shipley Do-Nuts Shops, and/or authorize others to operate them, at any location, including locations that may be near, but not within, the Territory.

We and/or our affiliates may engage in any type of business activity within or outside the Territory except as we are restricted as described in the preceding paragraph. The Franchise Agreement does not confer upon you any right to participate in or benefit from any other business activity, whether it is conducted under the Marks or not. By way of example, both inside and outside of the Territory, we and our affiliates alone have the right to:

1. Own, operate or authorize others to own or operate any type of business at any location, including within your Territory, so long as the other business does not sell under the identical Marks the identical type of programs, products or services which your Shop offers and sells (except as permitted below). You will receive no compensation for these businesses' sales.

2. Offer and sell within and outside your Territory, under the Marks, any and all System programs, products or services and/or their components or ingredients (including those used or sold by your Shop), at wholesale or retail, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); or, any other channel of distribution whatsoever except for a Shop in your Territory.

3. Develop, open and operate, grant third-parties the right to develop, open and operate, Shops located at, and to offer and sell (whether directly or through other franchisees, distributors, licensees or otherwise) System programs, products and services at, any and all Non-Traditional Locations, including nontraditional locations situated in your Territory, through the establishment of Shops, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded in engaging in such activity except in accordance with this Section. "Nontraditional locations" include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities;

condominium and cooperative complexes; the premises of any third-party retailer which is not a donut shop (including shops, stores and department stores); shopping malls and food courts; transportation facilities, including airports, train stations, subways and rail and bus stations; sports facilities, including stadiums and arenas; theaters; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks and amusement parks; Indian reservations; casinos; business or industrial foodservice venues; ghost kitchens, delivery-only restaurants, virtual kitchens, shadow kitchens, commissary kitchens, cloud kitchens, or dark kitchens; military bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. If any Nontraditional Location is located within the physical boundaries of your Territory, then the premises of this Nontraditional Location will not be included in your Territory and you will have no rights to this Nontraditional Location.

4. Open Shipley Do-Nuts Shops at and sell System programs, products and services to national, regional and institutional accounts. You are prohibited from engaging in such activities. "National, Regional and Institutional Accounts" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within your Territory). If we receive orders for any products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Shipley Do-Nuts franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Manual.

5. Sell and distribute products identified by the Marks in the Territory to restaurants and food service establishments other than donut shops identified by the Marks or award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those restaurants/establishments or foodservice facilities are not licensed to use the Marks in connection with their retail sales. You are prohibited from engaging in such activities.

6. Develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks. You acknowledge and agree that our affiliates may in the future operate food service businesses under different marks and with operating systems that are the same as or similar to the System, at any location (including within the Territory) and that any such businesses might compete with your Shop.

In addition, we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business's facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Marks, regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately proximate to the Territory.

You will receive no compensation for these activities. Under the terms of the Franchise Agreement, you waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any

governmental entity, directly or indirectly contending otherwise.

There is no minimum sales quota. During the term of your Franchise Agreement, there are no circumstances when we can alter your Shop Location or Territory. You have no options, rights of first refusal or similar rights to acquire additional franchises at any location, although you may apply for the right to operate additional Shops under separate franchise agreements.

The Franchise Agreement confers no marketing exclusivity in the Territory on you, and all Shipley Do-Nuts Shops (whether company-owned, company joint-ventured, franchised or otherwise) may solicit, service, advertise and offer their products and services to any individual or entity, regardless of your or its geographic location, including your Territory.

MSDA

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

If you sign an MSDA, we will grant you the right, and you will undertake the obligation, to develop and establish a specified number of Shops within a designated geographical area ("Development Area"), pursuant to a designated development schedule ("Development Schedule"). Your right to operate the Shops will be limited to the Shop Locations; however, subject to our reserved rights, we will not operate ourselves or grant a third party the right to operate, within the Development Area, a Shipley Do-Nuts Shop business of the type contemplated by the MSDA and franchised under the individual Franchise Agreements. These restrictions do not apply to any Shipley Do-Nuts Shop business in operation or under lease or other commitment to open in the Development Area as of the effective date of the MSDA. We and our affiliates reserve all rights not specifically granted to you pursuant to the MSDA, including but not limited to the following:

1. We and our affiliates reserve the right to operate any number of Shops, or authorize others to operate any number of Shops, at any location whatsoever, including one or more locations that may be immediately proximate to, but not within, the Development Area.

2. Within the Development Area, we and our affiliates may engage in any business activity and deploy any business concept whatsoever, and use the Marks or any other names or marks owned or developed by us or our affiliates, in connection with such other concepts and business activities, including:

   (a) owning, operating or authorizing others to own or operate any type of business whatsoever so long as such other business does not sell under identical Marks the identical type of programs, products or services which your Shops will offer and sell;

   (b) offering and selling, under the Marks, any and all System programs, products or services at wholesale or retail, through any alternative methods of distribution, or through any alternative channels of distribution;

   (c) developing, opening and operating, and granting third parties the right to develop open and operate, Shops located in Non-Traditional Locations;

   (d) opening Shops at and selling System programs, products and services to, National, Regional and Institutional Accounts;

   (e) selling and distributing products identified by the Marks in to restaurants and food service establishments other than donut shops identified by the Marks, or awarding national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those food service establishments and facilities are not licensed to use the Marks in connection with their retail sales;

   (f) developing or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and

(g) purchasing, merging, acquiring, being acquired by or affiliating with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business's facilities and then operating, franchising or licensing those other businesses or facilities under any names or marks, including the Marks.

You will receive no compensation for these activities.

If you fail to comply with your Development Schedule, we may immediately terminate the MSDA. However, we also have the right, in lieu of terminating the MSDA, to: (a) reduce in whole or in part the size of your Development Area; or (b) reduce in whole or in part the total number of Shops that you have the right to develop under the MSDA. There is no minimum sales quota, but you must comply with the Development Schedule. Except with respect to the foregoing, during the term of your MSDA, there are no circumstances when we can alter your Development Area. You have no options, rights of first refusal or similar rights to acquire additional franchises at any location, although you may apply for the right to operate additional Shops under separate franchise agreements.

The MSDA confers no marketing exclusivity in the Development Area on you, and all Shipley Do-Nuts Shops (whether company-owned, company joint-ventured, franchised or otherwise) may solicit, service, advertise and offer their products and services to any individual or entity, regardless of your or its geographic location, including your Development Area.

We and our affiliates have not established and do not currently intend to establish any other franchises, company-owned outlets or other distribution channels offering similar products or services under a different trademark anywhere in the United States, but we may do so in the future. However, our affiliates, including those described in Item 1 above (and other companies that currently or in the future may be owned by investment funds managed by LLCP), may operate or franchise businesses that sell similar goods or services to those that our franchisees sell. These other brands currently maintain offices and training facilities that are physically separate from ours. Most of our affiliates are not direct competitors of the "Shipley Do-Nuts" franchise network, given the products or services they sell, although some may be, as described in Item 1. The businesses that our affiliates and their franchisees operate may solicit and accept orders from guests near your "Shipley Do-Nuts" business. Because they are separate companies operating under separate brands, we do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, guests, and support, and we have no obligation to resolve any perceived conflicts that might arise.

ITEM 13 TRADEMARKS

The principal commercial symbol which we will license to you appears on the cover of this disclosure document. "Marks" means our symbols, trademarks, service marks, logotypes and trade names.

The table below provides a description of the Marks which we may license to you in operating your Shipley Do-Nut Shop.

REGISTERED TRADEMARKS

The following Marks are registered on the Principal Register of the United States Patent and Trademark Office:

REGISTERED TRADEMARK	FEDERAL REG. DATE	FEDERAL REG. NO.
SHIPLEY	7/15/69	873147
SHIPLEY & Design	7/15/69	873149
SHIPLEY DO-NUTS & Design	7/15/69	873148
THE GREATEST NAME IN DO-NUTS	7/29/69	873993
MAKE LIFE DELICIOUS	10/23/07	3,321,574
SHIPLEY DO-NUTS & Design (Long Red Bar)	12/13/2016	5,098,617

REGISTERED TRADEMARK	FEDERAL REG. DATE	FEDERAL REG. NO.
SHIPLEY DO-NUTS & Design (Short Red Bar)	12/13/2016	5,098,616
SHIPLEY	1/3/2017	5,112,154
SHIPLEY & Design	1/3/2017	5,112,153
SHIPLEY DO-NUTS & Design	3/7/2017	5,153,752
SHIPLEY BOLD	5/4/2021	6,343,393
DO-HAPPY	3/3/2026	8,156,714

There are presently no effective determinations of the U.S. Patent and Trademark Office, any trademark trial and appeal board, any state trademark administrator or any court, any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving any of the above-referenced Marks which is relevant to your use. There are no agreements which significantly limit our rights to use or license the Marks. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in any state in which your Shop is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any of the Marks. Any required affidavits have been filed. Any required renewals have been filed.

The trademarks identified above are owned by our affiliate, Shipley Supply Co, and have been licensed to us pursuant to a trademark license agreement dated November 23, 2020, as amended April 11, 2024. Under the license, we have the right to sublicense the trademarks to our franchisees. Our license is perpetual, cannot be modified, and cannot be terminated except for a material breach that is left uncured.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We will promptly take the action we consider necessary to defend you. We must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the Marks. You may not settle or compromise any of these claims without our previous written consent. We will have the right to defend and settle any claim at our sole expense, using our own counsel. You must cooperate with us in the defense. Under the Franchise Agreement, you irrevocably grant us authority to defend or settle these claims. You may participate at your own expense, but our decisions with regard to the defense or settlement will be final. We will have no obligation to defend or indemnify you if the claim against you relates to your use of the Marks in violation of the Franchise Agreement.

If you learn that any third party whom you believe is not authorized to use the Marks is using the Marks or any variant of the Marks, you must promptly notify us. We will determine whether or not we wish to take any action against the third party. You will have no right to make any demand or to prosecute any claim against the alleged infringer for the infringement.

You must comply with any instruction by us to modify or discontinue use of any Mark or to adopt or use additional or substituted Marks. If this happens, we will reimburse you for your documented expenses of complying (such as changing signs, stationery, etc.). Except for reimbursing your documented expenses of complying, we will not be liable to you for any resulting expenses.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We hold no patents and we have no pending patent applications that are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office.

We claim copyrights on certain software, forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in the Manual.

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the United States Patent and Trademark Office, Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. Finally, as of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them in this state or in the state in which the Shop will be located.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Marks described in Item 13 of this disclosure document.

Confidential Information

You may never – during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize.

Under the Franchise Agreement, the following persons must sign a Confidentiality/Non-Competition Agreement with substantively similar covenants as included in our then-current form (current form in Exhibit C to the Franchise Agreement):

- Before employment or any promotion, your Operating Principal, Shop Manager and all other managerial personnel; and
- If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you.

Our confidential information will include information, knowledge, trade secrets or know-how used or embraced by the System, the Manual, and many other matters specified in the Franchise Agreement.

You must irrevocably license to us all intellectual property, services, products, equipment, programs, sales, marketing, advertising and promotional programs, campaigns or materials, and sales methods you develop for the Shop. We will not be liable to you in any way because of this license.

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

You must personally supervise the operation of the Shop, unless we permit otherwise in writing, and devote the necessary time and your best efforts for the proper and effective operation of the Shop. If we license you to operate more than one Shop, you must devote the time necessary for the proper and effective operation of all your Shops.

Your Shop must have an "Operating Principal." Your Operating Principal must have complete decision-making authority with regard to your Shop and must have authority to in all respects act on your behalf. Your Operating Principal is the sole individual with whom we will be required to communicate when we seek to communicate with you. If you are an individual, then you must serve as Operating Principal and if you are a partnership comprised of multiple individuals and/or a business entity, then you must designate an individual who owns an interest in the you and Shop to serve as serve as Operating Principal. Before you designate the Operating Principal, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. The Operating Principal must attend and successfully complete the Initial Training Program. After an Operating Principal's death, disability or

termination of employment, you must immediately notify us, and you must designate a successor or acting Operating Principal within 10 days.

You must either serve as or designate a "Shop Manager" for your Shop. Your Shop Manager will be responsible for managing the day-to-day operations at your Shop. Before designating and engaging the services of the Shop Manager, you must identify such individual to us and ensure that such Shop Manager attends and successfully completes the Initial Training Program at your sole cost and expense. After a Shop Manager's death, disability or termination of employment, you must immediately notify us, and you must designate a successor or acting Shop Manager within 10 days. If the franchisee is a business entity, the Shop Manager need not have any equity interest in the franchisee entity.

If you are a business entity, each owner in you must sign a personal guarantee in the form of Exhibit E to the Franchise Agreement. If you are an individual, we do not your spouse to sign a personal guarantee unless your spouse also signs the Franchise Agreement or has some ownership interest in you, the Shop or the Shop business.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must at all times offer and sell all products, services and programs which we designate part of the System, unless you are prohibited by local law or regulation from selling a product, service or program or we have granted you our advance written approval to exclude a product, service or program.

If you would like to sell any product, service or program which is not a part of the System, then you must seek and obtain our advance written permission. If we grant our advance written approval, then the product, service or program in question will become a part of the System (though we will not be required to, but may, authorize it for sale at one or more other Shipley Do-Nuts Shops). We may subsequently revoke our approval. We will own all rights associated with the product, service or program. You will not be entitled to any compensation in connection with it.

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

In addition to modifications of the System, we may incorporate into the System products, services or programs which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Marks and which your Shop, along with other Shipley Do-Nut Shops, will be required to offer and sell (collectively, "co-branding"). This co-branding may involve changes to the Marks, and may require you to modify the building and premises of your Shop and the furnishing, fixtures, equipment, signs and trade dress at your Shop. If you receive written notice of our institution of co-branding, you must implement the co-branding at your Shop. The Franchise Agreement does not place any limit on our rights of to require you to make changes for co-branding.

You may only sell System products and services at retail from your Shop, and you may not engage in the wholesale sale and/or distribution of any System product, service, equipment or other component, or any related product or service.

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ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.01	Ten years from the sooner of the date the Shop opens or is required to open, unless sooner terminated in accordance with the Franchise Agreement.
b. Renewal or extension of the term	Section 4.02, Article 15	Two consecutive renewal terms of five years each if you comply with certain conditions to renewal.
c. Requirements for you to renew or extend	Section 15.01	a. Notify us no more than nine months and no less than six months before expiration of your desire to renew. b. We are still offering franchises in the area in which your Shop is located. c. Throughout the Initial Term and at the time of renewal, you performed all of your material obligations and were in compliance with the Franchise Agreement, the Manual and other agreements between you and us or our affiliates. d. You are current on your payment of all monetary obligations to us, our affiliates, your landlord and your suppliers. e. You refurbish, redesign and/or remodel your Shop as we reasonably require to meet our then current standards. f. You and/or your Operating Principal (as applicable) and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense. g. You must pay us a renewal fee of 25% of our then-current Initial Franchise Fee. h. You must be able to renew your lease on terms acceptable to you and us, or lease an acceptable new Shop Location, approved by us, without any interruption of business. i. You must sign a General Release in the form of Exhibit H to the disclosure document (but not releasing us from future claims under the renewal franchise agreement) (subject to state law). j. After you receive our renewal package, you must execute and return to us the renewal franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract, but there will be no initial franchise fee, and the term of each renewal franchise agreement will be five years.

Provision	Section in Franchise Agreement	Summary
d. Termination by you	Section 18.05	a. The Franchise Agreement does not provide you with a right to terminate. b. Your failure to pay Royalty Fees, Brand Fund Fees, or any other monies due and owing to us or our affiliates, or to timely cure any other material breach of the Franchise Agreement, will constitute your unilateral rejection and termination of the Franchise Agreement and all related agreements between you and us (or our affiliates). These provisions are subject to state law.
e. Termination by us without cause	N/A	None.
f. Termination by us with cause	Article 18	We may terminate only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.
g. "Cause" defined - defaults which can be cured	Sections 18.02 and 18.03	a. Unless another cure period is set forth in the Franchise Agreement, and unless the default is uncurable, you have 30 days to cure any default under the Franchise Agreement. b. You must cure non-compliance with any federal, state or local law or regulation applicable to the operation of the Shop within 15 days after notification by us or any governmental authority. c. You must cure any breach of the provisions of the Franchise Agreement relating to advertising standards within three days following written notice from us of such breach.
h. "Cause" defined - non-curable defaults	Section 18.02	The Franchise Agreement will immediately and automatically terminate if you, the Shop or the business is adjudicated bankrupt or insolvent, if all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, a petition in bankruptcy is filed by or against you or the Shop and is not immediately contested or dismissed within 60 days of filing, a receiver is appointed, you are dissolved, or an execution is levied. We may terminate the Franchise Agreement, effective immediately upon notice to you, for the following defaults: a. You fail to open your Shop by the Opening Deadline, cease operating the Shop or abandon the Shop for two consecutive days or three days within a 12-month period. b. Your omission or misrepresentation of any material fact in entering into the Franchise Agreement. c. You and we agree in writing to terminate the Franchise Agreement. d. You do not secure a Shop Location within the required time limits and procedures stated in the Franchise Agreement. e. You lose the right to possess the Shop Location (exceptions

Provision	Section in Franchise Agreement	Summary
		apply which may permit you to relocate your Shop). f. You, your Operating Principal, your Shop Manager and/or if you are a business entity, any owner, member, shareholder, director or manager of yours is convicted of a felony, fraud, or related crime. g. You purport to make an unauthorized transfer. h. You do not comply with the in-term covenant not to compete, you fail to obtain the required additional covenants, or you violate the restrictions pertaining to the use of confidential information. i. You knowingly conceal revenues, knowingly maintain false books or records, or submit any false report to us. j. You do not maintain the required financial records. k.You fail on three or more separate occassions within 12 months to comply with the Franchise Agreement, whether or not we notify you of such failures, and whether or not you cure the failures. l. You make a willful misrepresentation or do not make a material disclosure required by any governmental authority regarding any matter involving your Shop. m. You commit any act or default which materially impairs the goodwill associated with our Marks and which, by its nature, is incurable, or if the default is curable, you fail to cure the default following delivery of at least 72 hours' written notice to cure. n. You do not purchase or maintain required insurance. o. You or your Shop commit any violation of law, rule or regulation and/or engage in any act or practice which subjects you and/or us to widespread publicity or ridicule. p. You operate your Shop in a fashion that, in our sole judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate the Franchise Agreement upon notice, but we may direct you to immediately close your Shop; you must immediately comply with our direction; and, you must hold us harmless from and against any claims relating to our direction to close your Shop. q. You use our confidential information and/or Marks in a way not specifically authorized, or for the benefit of any individual or entity other than your Shop. r. You default under the lease for your Shop Location and do not cure the default within the period specified in the lease. s. You engage in any act or conduct, or fail to engage in any act or conduct, which under the Franchise Agreement specifically authorizes us to terminate the Franchise Agreement immediately upon notice to you.
i. Your obligations on	Article 19	a. Immediately pay all money owing to us or our affiliates, plus interest, and all sums due to third parties.

Provision	Section in Franchise Agreement	Summary
termination/nonrenewal		b. Stop using our Marks, confidential information, trade secrets and Manual and never identify yourself to the public in any fashion whatsoever as a current or former Shipley Do-Nuts franchisee. c. Cancel assumed name or equivalent registration which contains "Shipley", "Shipley Do-Nuts", or any other Mark of ours, or any variant, within 15 days. d. If we terminate the Franchise Agreement for your default or you terminate through failure to make payment following notice to cure (see section d. above), you must pay us all expenses and damages incurred as a result of your default or termination. Damages may include, for example, lost profits, lost opportunities, damage to our Marks and reputation, travel and personnel costs and the cost of securing a new Shop at or proximate to the Shop Location. e. Immediately deliver to us all training or other manuals furnished to you (including the Manual and supplements to the Manual), confidential information, manuals, computer software and database material, customer lists, records and files, forms, advertising and promotional material, signs and related items which bear our Marks. f. Immediately sign agreements necessary to effectuate termination. g. Stop using the telephone numbers listed in directories under the name "Shipley", "Shipley Do-Nuts" or any confusingly similar name or, upon our written demand, direct the telephone company to transfer such telephone numbers to us or to any other person and location that we direct. h. Strictly comply with the post-termination/post-expiration covenants not to compete. i. Continue to abide by restrictions on the use of our confidential information, trade secrets and know-how. j. Immediately refrain from engaging in any contacts with customers, suppliers, employees and all vendors of the Shop. k. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the Shop, printouts, and other information pertaining to computer operations, codes, procedures and programming. l. If we request, assign us your interest in the Shop Location lease and vacate promptly, rendering all necessary assistance to us to enable us to take prompt possession. m. Within 15 days, arrange with us for an inventory of personal property, fixtures, equipment, inventory and supplies. We have the option for 30 days to buy these at fair market value. If we choose not to take over the Shop, you must redecorate and remodel it to deidentify it and distinguish it from Shipley Do-Nuts Shop.

Provision	Section in Franchise Agreement	Summary
		If we terminate for cause, we can take possession of the Shop. If you dispute the termination, then we can operate the Shop until the final court determination. If the court decides the termination was not valid, we must make a complete accounting for the period when we operated the Shop.
j. Assignment of contract by us	Section 16.01	We will have the right to assign the Franchise Agreement and our rights and privileges thereunder if the assignee is financially responsible and economically capable of performing our obligations under the Franchise Agreement and agrees to perform these obligations. We may sell our assets, Marks, or System; go public, etc.
k. "Transfer" by you – definition	Section 16.02	Any assignment, sale, transfer, sharing, sublicensing or dividing, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise of all or any part of your interest in the Franchise Agreement, the franchise conveyed, your rights, privileges or obligations under the Franchise Agreement, your Shop, the ownership of your Shop business, or your rights to use the System, Marks, confidential information, or Manual.
l. Our approval of transfer by you	Sections 16.02 and 16.03	No transfer without our consent.
m. Conditions for our approval of transfer	Section 16.04	a. The proposed transferee ("transferee") must apply to us for acceptance as a franchisee and furnish to us all information and references we request. b. Transferee (or, if a business entity, the principals of the transferee) must come to personal interview, or we may meet with transferee at his, her or its business or residence, and if we do you must reimburse us for our travel, lodging, meal and personal expenses. c. Transferee (or, if a business entity, the principals of the transferee) must demonstrate the skills, qualifications, ethics, moral values and economic resources. necessary, in our reasonable judgment, to conduct the Shop's business. d. Transferee and/or his/her/its proposed Operating Principal must attend and receive certification in safe food handling from a state-approved food safety program and attend and successfully complete Initial Training Program before assignment (and other training if we wish), at transferee's expense. e. The landlord of the Shop Location must consent in writing to the assignment of lease. f. You must have cured any existing defaults, fully complied with all obligations to us and satisfied your outstanding monetary obligations to third parties. g. Transferee must sign new then-current Franchise Agreement and all other agreements required of new franchisees. The term

Provision	Section in Franchise Agreement	Summary
		of the new Franchise Agreement will be the balance of your Franchise Agreement. h. Transferee must have acquired, or will be able to immediately acquire following the signing of the new Franchise Agreement, all permits, licenses and other authorizations legally necessary to operate the Shop. i. The Total Sales Price may not be so excessive, in our determination, that it jeopardizes the continued economic viability and future operations of the Shop and/or the transferee. See Franchise Agreement for definition of "Total Sales Price." j. If transferee is a business entity, owners must sign guarantees and confidentiality/ non-competition agreements. k. You and, if you are a business entity, all of your owners and the transferee (and, if it is a business entity, all of its owners) must sign a general release in the form of Exhibit H to this disclosure document (subject to state law). l. If the transferee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we sign the new Franchise Agreement and must continue to be complied with. m. You must give us copies of the proposed assignment contract and following execution, a copy of the signed assignment contract. n. The transferee, at its expense, must upgrade the Shop to conform with then-current standards and specifications within the time we reasonably specify. o. You must pay us a transfer fee equal to 50% of our then-current Initial Franchise Fee or such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with the transfer application.
n. Our right of first refusal to purchase your business	Section 16.06	Your rights to assign, transfer, redeem or sell any interest in the Franchise Agreement or the Shop will be subject to our right of first refusal, except in those instances specified in the Franchise Agreement where not such right will pertain.
o. Our option to purchase your business	Section 20.01	We have the option to buy your Shop's assets (including its real estate and facilities) upon termination or expiration, exercisable within 30 days after termination or expiration.
p. Your death or disability	Sections 8.08 and 16.05	You must designate a successor or acting Operating Principal or Shop Manager no later than 10 days following the death, disability or termination of the predecessor Operating Principal or Shop Manager. For transfer upon death or disability, your estate may continue the operation of your Shop if the estate provides competent and qualified individuals to serve as Operating Principal and Shop Manager. Or, the estate may sell the Shop within six months of

Provision	Section in Franchise Agreement	Summary
		death or disability, subject to our right of first refusal.
q. Non-competition covenants during the term of the franchise	Sections 13.02	No involvement in "Competitive Business" anywhere during the term of the Franchise Agreement. "Competitive Business" means any other business or activity which offers or sells donuts, kolaches, or any of the other products or services which now or hereafter are authorized for sale under the System, or similar or related products or services. No sale, assignment, lease, etc. of Shop or Shop Location during the term of the Franchise Agreement to any individual or entity who will conduct a "Competitive Business" there. These provisions are subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.02	No involvement in "Competitive Business" for two years following the termination or expiration of the Franchise Agreement within your Territory, within 10 miles of the perimeter of your Territory, or within 10 miles of the perimeter of any other Shipley Do-Nuts Shop. No sale, assignment, lease, etc. of Shop or Shop Location for two years following the termination or expiration of the Franchise Agreement to any individual or entity who will conduct a "Competitive Business" there. These provisions are subject to state law.
s. Modification of the agreement	Sections 7.01 and 22.03	No oral modifications generally, but we may change the Manual. Any Manual change will not conflict with or materially alter your rights and obligations under the Franchise Agreement.
t. Integration/ merger clause	Section 22.02	The Franchise Agreement, the exhibits to the Franchise Agreement and all ancillary agreements constitute the entire agreement between you and us (subject to state law).
u. Dispute resolution by arbitration or mediation	21.01	Before you bring an action against us or our affiliates, you must first submit the dispute to non-binding mediation.
v. Choice of forum	Section 21.03	Litigation must be in a state or federal district court of competent jurisdiction where our principal headquarters are then-located (subject to state law).
w. Choice of law	Section 21.03	The law of the state where our principal headquarters is then-located (subject to state law).

MSDA

Provision	Section in MSDA	Summary
a. Length of the franchise term	Section 6	The term commences on the effective date of the MSDA and ends on the earlier of the actual date the last Shop is developed under the Development Schedule or the date that the last Shop is required to be developed under the Development Schedule.

Provision	Section in MSDA	Summary
b. Renewal or extension of the term	Section 6	The MSDA is not subject to renewal.
c. Requirements for you to renew or extend	N/A	N/A
d. Termination by you	N/A	The MSDA does not provide you with a right to terminate (subject to state law).
e. Termination by us without cause	N/A	None.
f. Termination by us with cause	Section 23	We may terminate only if you default. The MSDA describes defaults throughout – please read it carefully.
g. "Cause" defined - defaults which can be cured	Section 23.3	Unless another cure period is set forth in the MSDA, and unless the default is uncurable, you have 30 calendar days to cure any default under the MSDA.
h. "Cause" defined - non-curable defaults	Sections 23.1 and 23.2	The MSDA will immediately and automatically terminate if you, the Shop or the business is adjudicated bankrupt or insolvent, if all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, a petition in bankruptcy is filed by or against you or the Shop and is not immediately contested or dismissed within 60 days of filing, a receiver is appointed, you are dissolved, or an execution is levied. We may terminate the MSDA, effective immediately upon notice to you, for the following defaults: a. You fail to meet the Development Schedule (including any development deadlines included therein). b. Your omission or misrepresentation of any material fact in entering into the MSDA or any Franchise Agreement for any Shop. c. You and we agree in writing to terminate the MSDA. d. You, your Operating Principal, your Shop Manager and/or if you are a business entity, any owner, member, shareholder, director or manager of yours is convicted of a felony, fraud, or related crime. e. You purport to make an unauthorized transfer. f. You do not comply with the in-term covenant not to compete, you fail to obtain the required additional covenants, or you violate the restrictions pertaining to the use of confidential information. g. You commence operations of a Shop without a fully executed Franchise Agreement and our prior written approval. h. You cease to operate all of the Shops developed pursuant to the MSDA. i. You engage in any business or market any service or product under a name or mark confusingly similar to our Marks. j. You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Shops, us, or the System.

Provision	Section in MSDA	Summary
i. Your obligations on termination/nonrenewal	Section 24	a. Immediately pay all money owing to us or our affiliates, plus interest, and all sums due to third parties. b. If we terminate the MSDA for your default, you must pay us all expenses and damages incurred as a result of your default or termination. Damages may include, for example, lost profits, lost opportunities, damage to our Marks and reputation, travel and personnel costs and the cost of securing a new developer for the Development Area. c. Immediately sign agreements necessary to effectuate termination. d. Strictly comply with the post-termination/post-expiration covenants not to compete. e. Continue to abide by restrictions on the use of our confidential information, trade secrets and know-how.
j. Assignment of contract by us	Section 21	We may freely assign the MSDA and all of our rights and obligations under the MSDA.
k. "Transfer" by you – definition	Section 22	Any assignment, sale, transfer, sharing, sublicensing or dividing, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise of all or any part of your interest in the MSDA, you or the Shops developed pursuant to the MSDA.
l. Our approval of transfer by you	Section 22	No transfer without our prior written consent.
m. Conditions for our approval of transfer	N/A	N/A
n. Our right of first refusal to purchase your business	N/A	None.
o. Our option to purchase your business	N/A	None.
p. Your death or disability	Section 22	No transfer upon disability or death of an Operating Principal without our prior written consent.
q. Non-competition covenants during the term of the franchise	Section 16	No involvement in "Competitive Business" anywhere during the term of the MSDA. "Competitive Business" means any other business or activity which offers or sells donuts, kolaches, or any of the other products or services which now or hereafter are authorized for sale under the System, or similar or related products or services. These provisions are subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 17	No involvement in "Competitive Business" for two years following the termination or expiration of the MSDA within the Development Area, within 10 mile radius of the Development Area, or within 10 miles of Development Area of any other Shop. These provisions are subject to state law.
s. Modification of the agreement	Section 27.8	No modifications unless in writing, specifically identified as an amendment, and signed by a duly authorized representative of both parties.

Provision	Section in MSDA	Summary
t. Integration/ merger clause	Section 27.7	The MSDA, the exhibits to the MSDA and all ancillary agreements constitute the entire agreement between you and us (subject to state law).
u. Dispute resolution by arbitration or mediation	Section 25	Before you bring an action against us or our affiliates, you must first submit the dispute to non-binding mediation.
v. Choice of forum	Section 25.5	Litigation must be in a state or federal district court of competent jurisdiction where our principal headquarters are then-located (subject to state law).
w. Choice of law	Section 25.3	The law of the state where our principal headquarters is then-located (subject to state law).

ITEM 18 PUBLIC FIGURES

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

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.

Set forth below we disclose certain historical financial performance representations for our company-owned Shops and franchised Shops that opened at least 16 months prior to December 31, 2025 (the "Measurement Period") and that remained open and continuously operating the full 12 month period prior to December 31, 2025. As of the end of the December 31, 2025, there were a total of 12 company-owned Shops and 381 franchised Shops open; however, we only disclose financial information below for 9 company-owned Shops ("Reporting Company Shops") and 305 franchised Shops ("Reporting Franchised Shops", and sometimes referred to collectively with Reporting Company Shops as the "Reporting Shops").

61 franchised Shops and 1 company-owned Shop were excluded from Item 19 because they either opened during the Measurement Period or because they temporarily closed during the 2025 calendar year. Also excluded from the definition of Reporting Shops are 15 franchised Shops and 2 company-owned Shops that are operate in a fashion materially different than, and have financial results that are not representative of, a typical Shop (i.e., 2 excluded company-owned Shops function as our training stores for the entire franchise system and, 15 franchised Shops are satellite/non-traditional locations that do not prepare the products on-site).

The below financial information is generally broken by: (I) Average Gross Sales of the Reporting Company Shops; (II) EBITDA for the Reporting Company Shops; and, (III) Average Gross Sales of the Reporting Franchised Shops.

Section I: The below financial performance representation sets forth the Average Gross Sales for the 9 Reporting Company Shops in operation as of the end of the Reporting Period.

Reporting Company Shops	
Average Gross Sales*	$1,520,037
Median Gross Sales	$1,363,961

Highest Performing Shop	$2,709,527
Lowest Performing Shop	$818,895

*Of the 9 Reporting Company Shops, 4 (or 44%) met or exceeded the Average Gross Sales as of the end of the Reporting Period.

Section II: The below financial performance representation sets forth the EBITDA for the 9 Reporting Company Shops in operation as of the end of the Reporting Period.

Reporting Company Shops	
Average Gross Sales*	$1,520,037
Average Food Costs	30%
Average Labor Costs	28%
Average Prime Costs	59%
Average Other OpEx Costs (excluding Food Costs and Labor Costs)	15%
Average EBITDA	$289,420
Average EBITDA %	**19%**

*Of the 9 Reporting Company Shops, 4 (or 44%) met or exceeded the Average Gross Sales as of the end of the Reporting Period.

Section III: The below financial performance representation sets forth the Average Gross Sales for the 305 Reporting Franchised Shops in operation as of the end of the Reporting Period. This information is also presented to reflect the median, highest and lowest performing Reporting Franchised Shops, as well as the top 25% best performing Reporting Franchised Shops, the bottom 25% worst performing Reporting Franchised Shops, as well as the top 50% best performing Reporting Franchised Shops and the bottom 50% worst performing Reporting Franchised Shops.

Reporting Franchised Shops	
Average Gross Sales*	$933,203
Median Gross Sales	$850,885
Highest Performing Shop	$2,999,501
Lowest Performing Shop Excluding Satellites	$212,333
Top 25% Performing Shops (77)	$1,468,882
Top 50% Performing Shops (153)	$1,232,194
Bottom 50% Performing Shops (152)	$632,245
Bottom 25% Performing Shops (76)	$509,139

*Of the 305 Reporting Franchised Shops, 127 (or 42%) met or exceeded the Average Gross Sales as of the end of the Reporting Period.

GENERAL NOTES TO ITEM 19

1. Average. The term "**average**" which is also known as the "mean," means the sum of all data points in a set, divided by the total number of data points in that set.

2. Median. The term "**median**" means the data point that is in the center of all data points used in a set. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

3. "**Gross Sales**" means all revenues and income from any source derived or received from, through, by or on account of the operation of the Shops, excluding: (a) sales taxes, value added or other tax, excise or duty charged to customers and (b) tips, gratuities or service charges paid directly by customers to or for employees. For items sold pursuant to coupons or other discounts, Gross Sales also excludes the amount discounted from the purchase price of such items and from sales of pre-paid gift cards and certificates.

4. "**Food Costs**" means the cost of all food and beverages used in the Reporting Company Shops.

5. "**Labor Costs**" means the cost of all employees working exclusively at the Reporting Company Shops.

6. "**Prime Costs**" means the total sum of the Food Costs, paper costs, third-party delivery commissions and Labor Costs.

7. "**Other OpEx Costs**" means all other variable costs associated with operating the Shops, excluding Food Costs and Labor Costs. Other OpEx Costs also includes the 5% Royalty Fee and 1% advertising fee paid by the Reporting Company Shops to Franchisor.

8. "**EBITDA**" is calculated by taking the Average Gross Sales and subtracting the Prime Costs and the Other OpEx Costs.

9. We have not audited this information, nor independently verified this information.

10. This analysis does not contain complete information concerning the operating costs and expenses that you will incur in operating your Shop. Operating costs and expenses may vary substantially from business to business. The above figures in Section II above exclude start-up expenses; start-up advertising; administrative expenses; owner compensation/salary; the cost of equipment; the cost of initial inventory, and supplies; travel and entertainment expenses; initial license and permit fees and professional services expenses; taxes; financing expenses, interest expense, interest income, depreciation, and amortization expenses; and related expenses which you will incur as a franchisee. The premises of certain of the 9 Reporting Company Shops are owned by our affiliate and do not pay rent, so we have assumed a rent payment for those shops based on the rent paid by our other Reporting Company Shops in the Other OpEx Costs category.

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

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

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting John Feray, Chief Financial Officer, 55 Waugh Dr. Suite 1200, Houston, Texas 77007, Phone: (713) 869-4636, The Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years December 31, 2023 to December 31, 2025

Outlet Type	Year	Outlets at The Start of The Year	Outlets at The End of The Year	Net Change
Franchised	2023	326	337	+11
	2024	337	354	+17
	2025	354	381	+27
Company Owned	2023	11	12	+1
	2024	12	11	-1
	2025	11	12	+1
Total Outlets	2023	337	349	+12
	2024	349	365	+16
	2025	365	393	+28

Table No. 2

Transfers of Franchised Outlets from Franchisees
to New Owners (other than the Franchisor)
For Years December 31, 2023 to December 31, 2025

State	Year	Number of Transfers
Arkansas	2023	2
	2024	0
	2025	1
Colorado	2023	2
	2024	0
	2025	0
Florida	2023	0
	2024	0
	2025	2
Louisiana	2023	1
	2024	0
	2025	0
Mississippi	2023	1
	2024	0
	2025	1
Oklahoma	2023	0
	2024	0
	2025	0
Texas	2023	3
	2024	17
	2025	20
Totals	2023	9
	2024	17
	2025	24

Table No. 3
Status of Franchised Outlets
For Years December 31, 2023 to December 31, 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
Alabama	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Arkansas	2023	25	0	0	0	0	0	25
	2024	25	0	0	0	0	0	25
	2025	25	0	0	0	0	1	24
Colorado	2023	2	1	0	0	0	0	3
	2024	3	1	0	0	0	0	4
	2025	4	0	0	0	0	1	3
Florida	2023	2	1	0	0	0	1	2
	2024	2	0	0	0	0	0	2
	2025	2	1	0	0	0	0	3
Georgia	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Louisiana	2023	9	0	0	0	0	1	8
	2024	8	0	0	0	0	0	8
	2025	8	0	0	0	0	1	7
Maryland	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	1	0	0	0	0	3
Mississippi	2023	9	0	0	0	0	1	8
	2024	8	0	0	0	0	0	8
	2025	8	0	0	0	0	0	8
Oklahoma	2023	1	0	0	0	0	0	1
	2024	1	2*	0	0	0	0	3*
	2025	3*	0	0	0	0	1	2
North Carolina	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
South Carolina	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Tennessee	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5

[*] If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

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
	2025	5	1	0	0	0	0	6
Texas	2023	271	10	0	0	0	1	280
	2024	280	19	1	0	0	5	293
	2025	293	27	0	0	0	3	317
Virginia	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Totals	2023	326	15	0	0	0	4	337
	2024	337	23	1	0	0	5	354
	2025	354	34	0	0	0	7	381

Table No. 4
Status of Company-Owned Outlets
For Years December 31, 2023 to December 31, 2025*

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Oklahoma	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
	2025	0	0	0	0	0	0
Texas	2023	10	1	0	0	0	11
	2024	11	0	0	0	0	11
	2025	11	1	0	0	0	12
Totals	2023	11	1	0	0	0	12
	2024	12	0	0	0	1	11
	2025	11	1	0	0	0	12

Table No. 5

Projected Openings as of December 31, 2025

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	1	0
Florida	1	4	0
Georgia	1	2	0

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Louisiana	2	2	0
Missouri	1	0	0
New Mexico	2	3	0
Nevada	1	1	0
North Carolina	1	1	0
Tennessee	0	2	0
Texas	39	21	0
Virginia	1	1	0
Total	49	38	0

A list of the names of all current franchisees and the addresses and telephone numbers of them is provided in Exhibit D to this disclosure document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the April 30, 2026 issuance date of this disclosure document is listed on Exhibit E to this disclosure document.

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

Certain franchisees have signed confidentiality clauses during the past three fiscal years that would restrict their ability to speak openly about their experiences with the System.

The franchisor-sponsored trademark-specific franchisee organization associated with the franchise system is disclosed in Exhibit D.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements as of December 31, 2023, December 31, 2024 and December 31, 2025 are in Exhibit C.

ITEM 22 CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Exhibit A	Franchise Agreement with Exhibits A – Shop Location B – Required Provisions for Lease Rider C – Confidentiality/Non-Competition Agreement D –Statement of Ownership E – Guarantee of Franchise Agreement F – Acknowledgement Addendum G – Electronic Funds Transfer Form H – State Addenda to Franchise Agreement

Exhibit B	Multi-Shop Development Agreement with Exhibits A – Development Schedule and Development Fee B – Development Area C – Statement of Ownership D – Guarantee of Multi-Shop Development Agreement E – Confidentiality/Non-Competition Agreement F – State Addenda to Multi-Shop Development Agreement
Exhibit C	Current Form of General Release
Exhibit I	State Addenda to Disclosure Document

ITEM 23 RECEIPTS

You will find copies of a detachable receipt in Exhibit L at the very end of this disclosure document.

EXHIBIT A

FRANCHISE AGREEMENT

SHIPLEY FRANCHISE COMPANY LLC

FRANCHISE AGREEMENT



_____

FRANCHISEE

_____

DATE OF AGREEMENT

_____

INTERNAL SHOP NUMBER

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D STATEMENT OF OWNERSHIP

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G ELECTRONIC FUNDS TRANSFER FORM

H STATE ADDENDA TO FRANCHISE AGREEMENT

SHIPLEY FRANCHISE COMPANY LLC

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into on _____ (the "**Effective Dat**e") between SHIPLEY FRANCHISE COMPANY LLC, a Delaware limited liability company with its principal office at 55 Waugh Dr., Suite 1200, Houston, Texas 77007 ("**we**," "**us**," "**our**" or "**Franchisor**") and _____ whose principal address is _____ ("**you**," "**your**" or "**Franchisee**") (Franchisor and Franchisee are sometimes collectively referred to as the "**Parties**")

1. PURPOSE AND SCOPE OF THIS AGREEMENT

1.01 The Shop, System and Marks. We and/or our affiliates have developed a proprietary system (the "**System**") for opening and operating businesses that operate retail shops specializing in the offer and sale of donuts, kolaches, coffee, and specialty drinks prepared on-site and related products and services (each, a "**Shop**"). The System makes use of the trademark, service mark and fictitious business name "**Shipley**", "**Shipley Do-Nuts**", and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and intellectual property (collectively, the "**Marks**"), which we will designate as licensed to you in this Agreement. For the purposes of this Agreement, an "affiliate" of an individual or business entity (such as you or us) is defined to mean any individual or business entity which directly or indirectly is controlled by, controls or is under common control with that individual or business entity.

2. GRANT OF FRANCHISE AND LICENSE

2.01 Grant of Franchise and Licenses. We grant you, and you accept, the right to use the Marks and the System in connection with establishing and operating your Shop within the Territory specified in Section 3.01 of this Agreement. You agree to use the Marks and System as we may change, improve, modify or further develop them from time to time, as provided in this Agreement, and only in accordance with the terms and conditions of this Agreement and all related agreements.

3. SHOP LOCATION; TERRITORY

3.01 Shop Location; Territory

A. Shop Location. Under this Agreement, you may establish only one Shop at a location we approve in accordance with Section 6.01 (the "**Shop Location**").

B. Territory. You will be granted a protected territory (the "**Territory**") equal to a one (1) mile radius around the Shop Location, within which neither we nor any affiliate will operate or grant a franchise for a Shop of the type franchised to you hereunder, except as provided in Section 3.03 ("**Rights We Reserve**"). These restrictions will terminate immediately upon the expiration or termination of this Agreement for any reason. Notwithstanding anything in the foregoing to the contrary, (a) if we grant our approval for your Shop to be located at a Nontraditional Location (as that term is defined below), which we are under no obligation to approve, then it will not have any Territory and (b) the restrictions contained in Section 3.03 below do not apply to Shipley Do-Nuts shops in operation, under lease, in construction or under other commitment to open in the Territory as of the Effective Date.

C. Delivery. If we, in our sole judgment, permit you to offer delivery from the Shop, you will be required to comply with our then-current standards regarding same (including, without limitation, the use of specified approved delivery service providers and the execution of required third-party agreements in accordance with same). If we permit you to do so, you will not have a protected delivery area and customers may be able to order, pick up and take out from any Shop it so desires (even if within your Territory).

3.02 Your Restrictions

A. Shop Operations. You may only offer and sell System programs, products and services in, at and from your Shop. Under no circumstance may you establish any physical presence besides from your Shop Location at or from which System programs, products or services are sold or furnished.

B. No Alternative Channels of Distribution. Under no circumstance may you sell any System programs, products or services through any alternative channels of distribution, such as the internet/worldwide web/virtual platforms (including without limitation the metaverse) and other forms of electronic commerce; engage in cryptocurrency, non-fungible token (NFTs) and other blockchain promotions; "800" or similar toll-free telephone numbers; supermarkets, grocery stores or convenience stores; mail order; catalogs; ghost kitchens, cloud kitchens and other delivery-only concepts; or, any other channel of distribution whatsoever without our prior written approval. Notwithstanding the foregoing, if the Shop offers delivery, you will have the non-exclusive right to deliver products to customers within the Territory.

C. Retail Sales Only. You may only engage in the retail sale of System products and services. You are prohibited from engaging in the wholesale sale or distribution of any System products or services, or the products, equipment, and services which your Shop required or permitted to use or sell under this Agreement, or any component or ingredient of any of the foregoing which now or in the future constitutes part of the System. "**Retail sale**" means any sale by you directly to an ultimate consumer. "**Wholesale sale or distribution**" means any sale or distribution by you to a third party for resale, retail sale, or further distribution. "**Component**" means any constituent part, ingredient, element, segment or derivative.

3.03 Rights We Reserve

A. Outside of the Territory. Outside of the Territory, we and/or our affiliates reserve the right to operate any number of Shops, and/or authorize others to operate same, at any location whatsoever, including one or more locations that may be immediately proximate to, but not within, the Territory.

B. Inside the Territory. You understand and agree that we and/or our affiliates may (except as expressly restricted in Section 3.01(B) of this Agreement), engage in any business activity and deploy any business concept whatsoever, and use our Marks or any other names or marks owned or developed by us or our affiliates, in connection with such other concepts and business activities anywhere (including proximate to your Shop Location). You further understand and agree that this Agreement does not confer upon you any right to participate in or benefit from such other concepts or business activities, regardless of whether they are conducted under the Marks or not. Our and our affiliates' rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of program, product or service except as restricted by Section 3.01(B). By way of example, you understand and agree that both inside and outside of the Territory, we and our affiliates alone have the right to:

1. *Other Businesses*. Own, operate or authorize others to own or operate any type of business at any location whatsoever, including within your Territory, so long as such other business does not sell under the identical Marks, the identical type of programs, products or services which your Shop offers and sells (except as permitted below).

2. *Alternative Channels of Distribution*. Offer and sell within and outside your Territory, under the Marks, any and all System programs, products or services and/or their components or ingredients (including those used or sold by your Shop), at wholesale or retail, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar

toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); or, any other channel of distribution whatsoever except for a Shop in your Territory.

3. *Nontraditional Locations*. Develop, open and operate, grant third-parties the right to develop, open and operate, Shops located at, and to offer and sell (whether directly or through other franchisees, distributors, licensees or otherwise) System programs, products and services at, any and all Non-Traditional Locations, including nontraditional locations situated in your Territory, through the establishment of Shops, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded in engaging in such activity except in accordance with this Section. "**Nontraditional locations**" include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third-party retailer which is not a donut shop (including shops, stores and department stores); shopping malls and food courts; transportation facilities, including airports, train stations, subways and rail and bus stations; sports facilities, including stadiums and arenas; theaters; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks and amusement parks; Indian reservations; casinos; business or industrial foodservice venues; ghost kitchens, delivery-only restaurants, virtual kitchens, shadow kitchens, commissary kitchens, cloud kitchens, or dark kitchens; military bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. If any Nontraditional Location is located within the physical boundaries of your Territory, then the premises of this Nontraditional Location will not be included in your Territory and you will have no rights to this Nontraditional Location.

4. *National, Regional and Institutional Accounts*. Open Shipley Do-Nuts shops at and sell System programs, products and services to national, regional and institutional accounts. You are prohibited from engaging in such activities. "**National, Regional and Institutional Accounts**" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within your Territory). If we receive orders for any products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Shipley Do-Nuts franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Manual.

5. *Licensed Product Sales*. Sell and distribute products identified by the Marks in the Territory to restaurants and food service establishments other than donut shops identified by the Marks or award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those restaurants/establishments or foodservice facilities are not licensed to use the Marks in connection with their retail sales. You are prohibited from engaging in such activities.

6. *Other Franchise Systems*. Develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks. You acknowledge and agree that our affiliates may in the future operate food service businesses under different marks and with operating systems that are the same as or similar to the System, at any location (including within the Territory) and that any such businesses might compete with your Shop.

7. *Transactions*. In addition, you understand, acknowledge and agree that we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Marks, regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately proximate to the Territory.

C. Waiver and Release. You waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

4. TERM AND RENEWAL

4.01 Initial Term. This Agreement is effective as of the Effective Date and shall continue for a period equal to 10 years from the sooner of the Opening Date, subject to the Opening Deadline (the "**Initial Term**"), unless this Agreement is sooner terminated in accordance with its provisions.

4.02 Renewal Term and Renewal Franchise Agreement. You will have the right to enter into 2 consecutive renewal franchise agreements (each, a "**Renewal Franchise Agreement**"), each featuring a term of 5 years (a "**Renewal Term**") if you have complied with the conditions and procedures for renewal specified in Article 15 below. The first Renewal Term will begin on the date that the Initial Term expires and the second Renewal Term will begin on the date that the first Renewal Term expires. The first Renewal Franchise Agreement will supersede this Agreement and the second Renewal Franchise Agreement will supersede the first Renewal Franchise Agreement. Renewal Franchise Agreements will not take the form of an extension of this Agreement; but, instead, will each take the form of our then-current franchise agreement and may materially vary from this Agreement in all respects, except that no "initial franchise fee" will apply to you; the limited renewal rights identified in this Agreement will be incorporated (as applicable); the boundaries of your Territory will remain the same; and, the term of each Renewal Term will be 5 years. The conditions to and procedures governing your right to renew are set forth in Article 15.

5. YOUR PAYMENTS TO US

5.01 Initial Franchise Fee. You agree to pay us an initial franchise fee of $40,000 (the "**Initial Franchise Fee**") in one lump sum upon execution of this Agreement. The Initial Franchise Fee is not refundable for any reason and will be deemed fully earned when paid solely in consideration of our execution of this Agreement and not in exchange for any particular products, services or assistance.

5.02 Royalty Fee. From the Opening Date of your Shop and continuing through the end of the Initial Term of this Agreement, you agree to pay us a weekly royalty fee (the "**Royalty Fee**") equal to 5% of your previous week's Gross Sales, as defined in Section 5.05. If you fail to open the Shop by the Opening Date, we have the right (among other rights and remedies) to charge you the Delayed Opening Fee set forth in Section 8.01C. The Royalty Fee and Delayed Opening Fee (if applicable) are solely in consideration of our granting you the franchise conferred by this Agreement and are not in exchange for any particular goods, services or assistance we may furnish you.

5.03 System Brand Fund Fees. From the Opening Date of your Shop and continuing through the end of the Initial Term of this Agreement, you agree to pay us weekly System brand fund fees (the "**Brand Fund Fees**") equal to 1% of your previous week's Gross Sales. The Brand Fund Fees are contributed to our Brand Fund and will be expended as provided for in Section 11.01 below. For the avoidance of doubt, the System Brand Fees paid to us shall be in addition to any contribution you must make to a Regional Advertising Cooperative (see Section 11.04), if and as applicable, and your Local Advertising and Promotion expenditure requirement (11.03). Subject to the limitations in Article 11, we reserve the right to increase the Brand Fund Fee at any time upon notice.

5.04 Technology Fee. We have the right to require you to pay us our then-current weekly technology fee (the "**Tech Fee**"). The Tech Fee, if and when imposed, will be intended to fund new systemwide technological developments and/or costs associated with systemwide technology agreements. We currently anticipate that the Tech Fee, if and when implemented, will not exceed $125 per week; however, this is not a limit and we will have the right to increase the Tech Fee at any time upon notice to you to account for a pass through of any increases in third-party technology costs that we incur on behalf of the System as well as increases in the consumer price index. If and when imposed, the Tech Fee will be paid solely in consideration of our granting you the franchise conferred by this Agreement and will not be in exchange for any particular goods, services or assistance we may furnish you.

5.05 Definition of Gross Sales. "**Gross Sales**" means all revenues and income from any source that you derive or receive from, through, by or on account of the operation of the Shop (including on account of any and all goods, merchandize, services or products sold in or from your Shop, including in-store, dining, carry-out, online orders, delivery, third-party voucher sales, gift carts, catering or otherwise, or which are promoted or sold under the Marks or by using the System and the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible), whether received in cash, in services, in kind, from barter and/or exchange (valued at the full retail value of the goods or services received), on credit (whether or not you ultimately receive payment on credit transactions), or otherwise. Gross Sales excludes: (a) sales taxes, value added or other tax, excise or duty legally charged to customers, based on sales at or from your Shop, if you add the taxes when you charge the customers; send the tax payments to the appropriate tax authorities when due; and, state in the weekly report required by Section 5.07 the amount of all these taxes and the payments to which they relate; and (b) tips, gratuities or service charges paid directly by customers to your employees or paid to you and promptly turned over to your employees in lieu of direct tips or gratuities. You agree to furnish to us, within 30 days of our request, an official receipt for payment of the taxes or any other evidence that we reasonably consider acceptable. For items sold pursuant to coupons or other discounts (which we must approve), Gross Sales also excludes the amount discounted from the purchase price of such items and from sales of pre-paid gift cards and certificates.

5.06 Other Payments. In addition to all other payments under this Agreement, you agree to pay us or our affiliates immediately upon demand: (a) all sales taxes, trademark license taxes, service taxes, value-added taxes and any other taxes, imposed on, required to be collected, or paid by us or our affiliates (excluding any corporate income taxes imposed on us or our affiliates) because we or our affiliates have furnished services or products to you or collected any fee from you; (b) all amounts we advance, pay or become obligated to pay on your behalf for any reason, including all internal and external costs we incur in connection with same; (c) any amount to reimburse us for costs and commissions paid or due to a collection agency or in connection with our collection efforts; and (d) all amounts you owe us or our affiliates for programs, products or services that you purchase from us or our affiliates.

5.07 Reporting and Payment

A. Weekly Reports. You agree that we have the right to assess your Gross Sales for the preceding week and the Royalty Fee and Brand Fund Fees due thereon based on the information you input into your Computer System (your obligations and our rights with respect to your Computer System are set forth in more detail in Section 8.10 below). Notwithstanding anything in the foregoing to the contrary, we reserve the right to require you to submit a signed weekly report to us for our receipt on or before Monday of each week, which if required will consist of a statement reporting all Gross Sales for the preceding week and your calculation of the Royalty Fee and Brand Fund Fees) due thereon, all in the manner and form we prescribe. We reserve the right to require you to file your weekly reports electronically. You also agree to furnish any other financial or non-financial data concerning the activity of your Shop that we request in the form, manner and frequency that we request it.

B. Timing of Payment. On or before Monday of each week, you agree to pay us the Royalty Fee and Brand Fund Fees due for the preceding week, as specified in your weekly report. You understand and acknowledge that we have the right, at our sole option upon notice to you, to change periodically the timing and terms for payment of Royalty Fees, Brand Fund Fees and other amounts payable to us under this Agreement.

C. Bank Account and Payment Mechanisms. By executing this Agreement, you agree that we shall have the right to automatically withdraw funds from your designated bank account by electronic funds transfer ("**EFT**") in the amount of the Royalty Fee, Brand Fund Fees, Regional Advertising Cooperative Contributions and any other payments due to us and/or our affiliates. You agree, upon our request, to execute and provide us with an electronic transfer authorization document in the form of Exhibit G to this Agreement. We reserve the right to change the required transmission of these and any other payments required under this Agreement to direct account debit or other similar technology now or hereafter developed to accomplish the same purpose and/or to any different payees we specify. You agree to deposit and maintain at all times sufficient funds to cover all fees and payments you owe to us and our affiliates in a segregated bank account (the "**Bank Account**") that you form and maintain for the Shop. The Bank Account must have the capacity to make payments through the means we designate, and you must sign all documents required by your bank, our bank and us or for approval and implementation of the debit or transfer process. You may not change the Bank Account without our advance written approval. You agree to pay all costs of direct account debit, electronic funds transfer or other similar technology we designate.

D. Insufficient Funds, Late Fees and Interest. You agree to pay us a fee of $50 each time we attempt to debit your Bank Account for payments you owe us and the Bank Account has insufficient funds. You agree to pay us a late payment fee of 20% on any amounts not paid within 15 days of when they were due to us or our affiliates. You also agree to pay us or our affiliates interest on any amounts due to us or our affiliates under this Agreement and not paid on time a rate of the lesser of 1.5% per month or the maximum interest rate permitted by law. This provision does not constitute consent to late payments or an agreement to extend credit. If you are delinquent in any required payment, we or our affiliate may apply any payment from you to any obligation due in whatever order and for whatever purposes as we determine, whether or not there is any contrary designation by you.

E. Application of Funds. You may not withhold, set-off or recoup payment of any amount due on the grounds of the alleged non-performance or breach of any of our or our affiliates' obligations under this or any other agreement. You must make all payments under this Agreement without offset or deduction. We may apply any payment we receive from you to any obligation and in any order as we may determine whether under this Agreement or otherwise (including to your vendors, suppliers and landlord) regardless of any designation by you.

5.08 Non-Compliance Fee. We may charge you $500 for any instance of non-compliance with the System or this Agreement (other than your non-payment of a fee owed to us). Thereafter, we may charge Franchisee $500 per week until you cease such non-compliance. This fee is a reasonable estimate of our

internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from your breach. The non-compliance fee is in addition to (and not in lieu of) all of our other rights and remedies (including without limitation with respect to default and termination under Article 18 of this Agreement).

5.09 CPI Adjustments. We have the right to make inflation adjustments to the fixed-dollar amounts under this Agreement if there are changes in the Consumer Price Index published by the U.S. Bureau of Labor Statistics ("**BLS**") or if the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

6. SITE SELECTION, CONSTRUCTION, TRADE DRESS AND LEASE REQUIREMENTS

6.01 Shop Location. You may operate your Shop only from your Shop Location and within the Territory. You may use the Shop Location for no other purpose than the operation of the Shop. If you have suggested a Shop Location which we have approved before the execution of this Agreement, then the address of that Shop Location will be set forth on Exhibit A to this Agreement. If you have not suggested a Shop Location which we have approved before the execution of this Agreement, then the following provisions will apply:

A. Site Selection Criteria. We will furnish to you our site selection criteria following the execution of this Agreement. You agree to use your best efforts to find an acceptable Shop Location within the Territory. You must comply with all our Shop specifications, requirements and restrictions. The Shop Location will be subject to our advance written approval, and our determination will be final. We may require you to submit maps, completed checklists, photographs, diagrams of the premises with measurements, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site, and other information and materials which we may reasonably require to evaluate your proposed Shop Location. We may also require you to pay for a site survey from a vendor we may (but need not) specify and/or visit the proposed Shop Location in order to evaluate its suitability. You agree to use your best efforts to find an acceptable site. We reserve the right to designate or approve the real estate broker you use to locate and obtain a site for the Shop.

B. Our Site Approval. You hereby acknowledge and agree that you are required to select a Shop Location, obtain our advance written approval for your Shop Location and sign a lease approved by us (or provide proof of ownership or an executed contract of sale) for your Shop Location within 3 months following the Effective Date of this Agreement. If you do not secure a Shop Location within the time limits and following the procedures specified in this Section 6.01, then this failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. You acknowledge and agree that any advice we furnish regarding site selection and our proposal, inspection, designation or approval of a broker for your site selection and/or approval of any proposed site for your Shop Location will not constitute, and will not be deemed to constitute, our express or implied representation, warranty, guarantee or any other indication of the prospective profitability, viability or merit of the Shop Location, and you hereby forever waive any claim to the contrary. Our approval of a Location for the Shop only signifies that the Location meets our then-current minimum criteria for a Shop.

6.02 Location Lease

A. Lease Approval. If you will be leasing the Shop Location, then promptly following our written approval of your proposed Shop Location, you agree to obtain a lease or sublease for the Shop Location which, unless we otherwise approve the lease in advance, must be accompanied by a rider incorporating the requirements specified in Exhibit B of this Agreement. You agree to deliver to us a copy of any proposed lease or sublease for the Shop Location and any related documents (collectively, the "**Lease**") before you execute the Lease. Any Lease will be subject to our advance written approval, which we will not unreasonably withhold or delay, provided, however, that we expressly reserve the right to disapprove any

Lease not accompanied by a rider embracing all of the provisions of Exhibit B. If we do not communicate our approval or disapproval of a proposed Lease to you within 20 business days following our receipt of the proposed Lease, and if the site was for the Location was already approved by us in writing and the Lease is accompanied by a rider containing the required provisions of Exhibit B, then the Lease will be considered approved.

B. Commitments and Obligations. You shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Shop unless the site is approved by us in accordance with this Article 6. In any Lease, you may not create any obligations or grant any rights against us or our affiliates or agree to any term, condition or covenant which is inconsistent with this Agreement or any related agreement. You agree to timely perform all terms, conditions, covenants and obligations under the Lease. You may not assign, transfer or encumber your Lease or sublet all or any part of the Location without our advance written approval.

6.03 Design of Shop

A. Our Sample Plans. We will loan you 1 set of prototypical architectural and design plans and specifications for a Shop. The sample layout and preliminary plans we furnish you will not contain the requirements of, and may not be used for, construction drawings or other documentation necessary to obtain permits or authorizations to build and/or operate a specific Shop.

B. Your Professionals. You must employ qualified and licensed architects, contractors, permit expeditors, and/or engineers, at your expense, that we either designate or approve in writing. Your professionals must complete, adapt, modify or substitute the layout, plans and specifications for your Shop and prepare preliminary plans and specifications for the site improvement and construction of your Shop (which must be based on the sample layout and preliminary plans we furnish to you). You agree, at your expense, to employ architects, designers, engineers, contractors, permit expeditors, or others necessary to complete, adapt, modify or substitute the layout, plans and specifications for your Shop. You alone, working with your professionals, are responsible for ensuring that your Shop, as designed and constructed, complies with all applicable laws, rules, regulations, ordinances, building codes, fire codes, permit requirements and the ADA. Your architect must certify to you in writing that the plans and specifications for your Shop comply with the ADA; the architectural guidelines under the ADA; all applicable federal, state and/or local laws, rules and regulations for accessible facilities; and all other applicable federal, state or local laws, rules and regulations (including building codes, fire codes and permit requirements). You must furnish us with a copy of this certification if we ever request it.

C. Final Plans. You must submit a complete set of your proposed final plans and specifications to us and obtain our written approval of them before you seek to register them with any governmental or quasi-governmental agency or begin construction of your franchised Shop. Although this Agreement does not require us to do so, we may have an interior designer or a member of our staff make visit(s) to your Shop Location, and you agree to allow those visits, in order to assist us in determining whether to approve your final plans and specifications. Our approval will be based on our assessment of compliance with our standards for new Shops. We will not assess compliance with federal, state or local laws, rules or regulations, including the ADA. If we determine, in our reasonable discretion, that your proposed final plans are not consistent with the best interests of the System, we may prohibit the implementation of such plans, and in this event will notify you of any objection(s) within 14 business days of receiving such plans. If we fail to notify you of an objection to the plans within this time period, you may use such plans. If we object to any such plans, we shall provide you with a reasonably detailed list of changes necessary to make the plans acceptable. We shall, upon a re-submission of the plans with such changes, notify you within 14 business days of receiving the resubmitted plans whether the plans are acceptable. If we fail to notify you in writing of any objection within such time period, you may use the resubmitted plans.

D. No Guarantee. You acknowledge that our review of your proposed plans relates only to compliance with the System and presentation of the Marks, and that acceptance by us of such plans does not

constitute a representation, warranty, or guarantee, express or implied, by us that such plans are accurate or free of error concerning their design or structural application. You understand and agree, and promise never to contend or assert otherwise, that our approval of your final plans for your Shop does not render us liable for any defects, neglects, omissions, errors or negligence associated with such plans and shall not in any fashion be construed to diminish or negate your indemnification of us, our affiliates and the other Franchisor Parties referenced in Article 15 below nor render us liable in any fashion or to any extent for any liabilities engendered thereby.

E. We Own Your Plans. You agree that any plans and specifications you prepare and submit to us will be irrevocably assigned to us in perpetuity and become our property. We, our affiliates and any other franchisees to which we give these plans and specifications may use them without owing you any compensation or being liable to you in any way.

F. Sources of Supply. We may (but will not be required to) provide you with specifications for, and approved sources of supply of, your Shop's furniture, fixtures, equipment, signs and/or other trade dress elements. We reserve the right to be (and earn a profit as) an approved source or the only approved source of certain of your Shop's furniture, fixtures, equipment and/or other trade dress elements. If we have not specified a source of supply for any such item, then you may purchase that item from any source, so long as the items purchased are in strict accordance with any specifications concerning the item which we have issued in the Manual or otherwise. You must obtain our advance written consent before deviating in any fashion from our specifications. We may designate an architect, a general contractor, real estate broker, site assessment firm, permit expeditor, and/or certain other professionals whose services you will be required to use, at your own expense, for the development of your Shop.

G. Zoning Clearances, Permits and Licenses. Prior to submitting any requests for permits, licenses or certifications required for the lawful construction, you must sign a contract with a general contractor, pay such general contractor an initial deposit (if applicable) and provide us with a copy of the contract. You shall be responsible, at your own expense, for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Shop premises. Prior to beginning the construction of the Shop, you shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Shop, and (ii) certify in writing to us that the insurance coverage specified in Article 9 is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. You must comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Shop. In the event you receive any complaint, claim, other notice alleging a failure to comply with the ADA, you shall provide us with a copy of such notice within 5 days after receipt thereof. You must also provide all needed documents and payment to the respective permit, licensing and certification offices within 2 business days of being requested to do so during the design and permitting process.

6.04 Construction of Your Shop

A. Our Prior Approval to Commence Construction. You must obtain our prior written approval before commencing construction or remodeling of your Shop. As a condition to our granting such approval, and without limitation to other pre-requisites, you will be required to provide us with evidence that you have paid in full for the full equipment package and signage package we then-require from our approved suppliers. After acquiring the Shop Location of your Shop by lease or purchase, you shall at your expense, and as applicable, either construct your Shop at the Shop Location, or convert the existing premises at the Shop Location to become your Shop, in conformity with the final plans and specifications which we have approved (as provided in Section 6.03).

B. Construction Updates and Modifications. You must provide us with comprehensive information regarding all phases of the development process of the Shop Location as we may require, such as weekly progress reports during construction or conversion, in the format we designate. This information will

include (without limitation and as applicable) the names, addresses and telephone numbers of your architect, civil engineer, surveyor, general contractor, subcontractors, principal vendors and environmental consultant, and the primary contact for each; copies of all permits, licenses, contractor's liability insurance certificates and other similar items required for the construction or conversion of your Shop; and, copies of all construction or remodeling contracts and documents, along with originals of all lien waivers. These requirements will also apply to any construction, remodeling, renovation or refurnishing of your Shop at any time after it opens. We will not be responsible for delays in construction, conversion, remodeling, equipping or decoration or for any loss resulting from your Shop's design or construction. You must obtain our written approval for all changes to the Shop's plans that you furnished to us pursuant to Section 6.03 before implementing the changes. You hereby grant us and our designees (including our interior designers and architects) access to your Shop Location while work is in progress, including real time access via video surveillance that you hereby agree we may install in order to monitor progress. We may require any reasonable modifications of the construction of your Shop that we and/or our designees consider necessary or desirable in our reasonable business judgment. If and as we may request, you and your general contractor must attend and participate in weekly construction progress calls with our designated representatives. You must also promptly pay your general contractor and other vendors in accordance with your contracts to ensure timely construction of the Shop, to prevent any construction slow or shut down resulting from (among other causes) lack of payment.

C. Construction Completion. If you fail to promptly begin the design, construction, equipping and opening of your Shop with due diligence, we may elect to terminate this Agreement immediately upon notice to you. You must use your best efforts to timely complete the construction or conversion (as applicable) of your Shop. By no later than 3 weeks before the anticipated construction or conversion completion date, you must order from our approved suppliers and pay for all then-required smallwares and uniforms for the Shop. When construction is complete and before you open your Shop, your architect and general contractor must provide us with a certificate stating that the as-built plans for the Shop fully comply with the ADA; the architectural guidelines under the ADA; and all other laws, rules, regulations, codes and ordinances applicable to the Shop. We will have the right, but not the obligation, to conduct a final inspection of the completed Shop before it opens. We may require any corrections and modifications we and/or our designees consider reasonable and necessary to bring the Shop into compliance with the plans and specifications we approved. The Shop will not be allowed to open if it does not conform to the approved plans and specifications, including changes thereto that we may approve.

6.05 Signage. You shall obtain and maintain, at your sole cost and expense, approved signs and/or awnings at, on, or near the front of the Shop Location, identifying it as a Shipley Do-Nuts Shop, which shall conform in all respects to our specifications and requirements and the layout and design plan approved for the Location, subject only to restrictions imposed by applicable law. We reserve the right to require you to purchase signage from our designated signage vendor. On receipt of notice from us of a requirement to alter any existing sign on its premises, you will, at its cost, make the required changes within 90 days, subject to the approval of the lessor if required by the Lease. In addition, upon written notice from us, you must place in a prominent place we specify within the Shop certain promotional materials we provide describing the Shipley Do-Nuts franchise opportunities that are available, and you must maintain an adequate supply of such materials; provided, however, these materials will be provided to you at no cost.

6.06 Shop Maintenance. You shall at all times maintain, at your sole expense, the interior and exterior of your Shop the entire Shop Location (including the parking lot, if any, and walkways) and any other facilities used by the Shop business in first class condition and repair, and in compliance with all applicable laws, rules, regulations and our Manual, except to the extent that we may otherwise expressly agree in writing.

6.07 Shop Remodels. We have the right to require you, once during the Initial Term of this Agreement after 5 years from the Effective Date and each Renewal Term, at your sole expense, to update, remodel, refurbish, renovate, modify or redesign the Shop so that it reflects our then-current standards (collectively, the "**Remodel**"). We may also require you to obtain, at your sole cost and expense, a Remodel survey from a company we designate in order to determine the scope of work for the Remodel (but at all times subject to

our determination and written approval). We will provide you notice of any such required update, remodel, refurbish, renovate, modify or redesign your Shop, after the receipt of which you will have 120 days to comply with our direction. Notwithstanding anything in the foregoing to the contrary, we will not require you to expend more than $100,000 to effect the directed Remodel activity (as determined in our sole judgement). For the avoidance of doubt, this obligation to Remodel is in addition to your obligation to maintain your Shop in first class condition and repair pursuant to Section 6.06 above. Further, the definition of a Remodel expressly excludes any upgrades to your Computer System or the components thereof pursuant to Section 8.10.

6.08 Relocation of Your Shop. You may not relocate your Shop to another location without first obtaining our written approval for the new location, paying us a relocation fee equal to $10,000, and reimbursing us for any reasonable costs we incur in considering your request. If you relocate the Shop with our approval subject to the terms of this Section 6.08, the new location will be the "Shop Location" of the Shop. Any relocation will be at your expense. All leases or subleases that you enter into, all plans and specifications for your relocated Shop that you adduce and all construction, remodeling, renovation or other such activity that you perform at and for the relocated Shop must be in accordance with all of the provisions of this Article 6 and our then-current standards, specifications and requirements.

6.09 Time is of the Essence. Subject to the provisions of Section 22.01 of this Agreement ("Unavoidable Delay or Failure to Perform (Force Majeure)"), time is of the essence with regard to this Article 6.

7. OUR DUTIES

7.01 Confidential Operating Manual

A. The Manual. We will lend you one copy of our confidential operating manual (the "**Manual**"). The Manual may take the form of one or more of the following: one or more loose-leaf or bound volumes; bulletins; notices; videos; CD-ROMS and/or other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or any other medium capable of conveying the Manual's contents. The Manual will, among other things, set forth our operating systems, procedures, policies, methods, standards, specifications and requirements for operating your Shop. You agree to operate your Shop in strict compliance with the Manual.

B. Modifications to the Manual. We have the right to prescribe additions to, deletions from or revisions of the Manual, all of which will be considered a part of the Manual. All references to the Manual in this Agreement will include the supplements to the Manual. Supplements to the Manual will become binding on you as if originally set forth in the Manual, upon being delivered to you. The Manual and any supplements to the Manual are material in that they will affect the operation of the Shop, but they will not conflict with or materially alter your rights and obligations under this Agreement.

C. Our Ownership of the Manual. You acknowledge that we are the owner of all proprietary rights in the Manual and all intellectual property rights connected therewith (including common law copyright) and that you are acquiring no property or other right to the Manual other than a license to use it and comply with it during the term of this Agreement. You agree to ensure at all times that your copy of the Manual is current and up to date. If there is any dispute as to your compliance with the provisions of the Manual and any supplements to the Manual, the master copy of the Manual and any supplements to the Manual maintained at our principal office will control.

7.02 Initial Training Program.

A. Our initial training program (the "**Initial Training Program**") must be completed by your Operating Principal to our satisfaction no later than 3 months prior to the scheduled opening of your Shop. We reserve the right to also require one or more of your managers to also attend the Initial Training Program.

The Initial Training Program is comprised of 2 components, the "**Owner Training**" (which must be completed by your Operating Principal) and the "**Manager Training**" (which must be completing by your Operating Principal and, if required, your Shop managers). The Owner Training will last for approximately 1 to 2 days and the Manager Training will last for approximately 6 weeks.

B. If this Agreement is governing the operation of your (or your affiliates) 1st Shop, we will furnish Initial Training Program to your initial Operating Principal and Shop Manager at no charge; however, you will be responsible for all travel and living expenses incurred by your trainees in connection with the Initial Training Program. If this Agreement is governing the operation of your (or your affiliates) 2nd or subsequent Shop, we are not required to provide the Initial Training Program.

C. Notwithstanding anything in the foregoing to the contrary, we reserve the right to require that, at any time upon notice to you, your Shop Manager and/or other personnel we designate complete the Initial Training Program to our satisfaction. If any substitute or additional trainees attend the Initial Training Program (except for the initial Operating Principal and Shop Manager for your 1st Shop as provided in Section 7.02B above), you will be required to pay us our then-current per person training fee and you will be responsible for all travel and living expenses incurred by the trainees in connection with the Initial Training Program. You (and/or your affiliates) are responsible for ensuring that the minimum number of people we require in your organization have successfully completed the Initial Training Program (each, a "**Certified Trainer**"), for maintaining that minimum number of Certified Trainers, and for the training of your Shop employees.

D. The Initial Training Program will take place at any location we designate (which may include a current operating Shipley Do-Nuts shop, our headquarters or elsewhere). We will determine the date of commencement, location and duration of the Initial Training Program and notify you of them. We, in our sole judgment, may change, modify, amend or designate the content and process of Initial Training Program at any time. We reserve the right at all of our training programs to determine the duration and subjects included in the curriculum of our training programs and to train any number of individuals from any number of Shipley Do-Nuts shops, whether franchised or otherwise affiliated with us, at the same time. Under no circumstance will you be compensated for any work your trainees may perform or services your trainees may render in the course of participating in any of our training programs. We reserve the right to furnish our training programs by means of a company intranet or other electronic means of communication.

7.03 On-Site Opening Training. If this Agreement governs the operation of your (or your affiliates') first Shop, then we will provide, at no additional expense to you, one or more of our training representatives for a period of between 5 and 15 days of on-site opening training during the Shop's opening ("**On-Site Opening Training**"). We may require the opening training team to remain on-site longer than 15 days, in our sole discretion. We will determine the number of opening training representatives and the time period over which their assistance will be provided, based upon our availability and assessment of the Shop's operational requirements. In addition to the Opening On-Site Training or Assistance we agree to provide for your first Shop, you may request additional on-site training or assistance at any time. We will not be obligated to provide any such additional on-site training or assistance, but if we elect to do so, we may impose our a fee equal to $2,000 per training representative, and you will be required to reimburse us for our expenses incurred by in connection with such additional training, including our training representative's travel costs, meals, lodging and other living expenses. The timing of all advice, consultation and training provided for in this Agreement will be subject to the availability of our personnel.

7.04 On-Going Training. We may from time to time develop additional training programs which you (if an individual), your Operating Principal and/or other staff or personnel we designate must attend and successfully complete. We will determine the duration, curriculum and location of these future additional training programs. We reserve the right to charge a fee equal to $2,000 per trainee per week for such programs. You also agree to pay all of the expenses incurred by your trainees or attendees in connection with any additional training programs we develop, including their salaries, travel costs, meals, lodging and other living expenses.

7.05 Franchise Meetings and Conferences. We may (but need not) hold annual franchisee meetings (on a regional, national basis and/or international basis) in order to provide additional training, introduce new products or changes to the System, or for other reasons we believe prudent. We will determine the duration, curriculum and location of these meetings. We reserve the right to designate that attendance at any franchisee meeting is mandatory for you, your Shop Managers, Assistant Shop Managers and/or other Shop personnel. We reserve the right to charge a per person attendance fee equal to $1,500 for such annual Franchisee Meeting, and you shall pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages.

7.06 Field Support Services. After you open your Shop, we may from time to time and at your sole expense (including our staff's hotel and travel expenses) offer you field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Shop. The timing of our field support and headquarter consultation services will be subject to the availability of our personnel.

7.07 Accounting Requirements. We may specify the electronic and/or written accounting formats and reporting requirements which you will utilize to account for your Shop. You will be solely responsible for performing all bookkeeping, recordkeeping and accounting duties prescribed under this Agreement or in the Manual and for bearing the costs of these activities.

7.08 Nature of Obligations. All our obligations under this Agreement are to you alone. No other party is entitled to rely on, enforce or obtain relief for breach of any of our obligations hereunder, either directly or by subrogation.

8. YOUR DUTIES

8.01 Opening Date

A. Opening Date. You must fulfill all of your pre-opening obligations and open your Shop to the general public for normal day to day business (the "**Opening Date**") by no later than (a) 10 months following the Effective Date of this Agreement, or (b) if we approve your Shop to be built from the ground up (i.e., the construction involves constructing a building from scratch, starting with an undeveloped parcel of land), 20 months following the Effective Date of this Agreement (in each case, the "**Opening Deadline**"). For the avoidance of doubt, if you signed this Franchise Agreement pursuant to a Multi-Shop Development Agreement with us, then the Opening Deadline will be the date set forth in the development schedule set forth therein. **You acknowledge that time is of the essence.**

B. Our Approval of Shop Opening. You will not be allowed to open your Shop without our written approval, which approval we will not unreasonably withhold. In order to obtain our approval to open, you must: obtain all required state, local and other required government certifications, permits and licenses, furnish to us copies of all such required permits and licenses; furnish to us copies of all insurance policies required under this Agreement; attend and successfully complete our Initial Training Program to our satisfaction (as provided in this Agreement); pay us or our affiliates any amounts due through the date that you request our approval to open; not be in default under any agreement with us or any affiliate of ours; not be in default under, but instead be current with, all contracts or agreements with your principal vendors, suppliers and other business creditors (including the lessor or sublessor of your Shop Location, us and our affiliates); and, otherwise comply in all respects with the pre-opening obligations set forth in this Agreement.

C. Your Failure to Timely Open. We may immediately terminate this Agreement with no opportunity to cure, if you fail to open your Shop within the timeframe required above, subject to Force Majeure (as defined in Section 22.01). Notwithstanding the foregoing, if we decide (in our sole discretion) not to immediately terminate this Agreement, you agree to pay to us a delayed opening fee in the amount of $500 per week for each week that the Opening Date is delayed (the "**Delayed Opening Fee**"). You

understand and acknowledge that such fee shall be in addition to our other rights and remedies hereunder or at law (including, without limitation, immediate termination of this Agreement), which rights and remedies we may exercise at any time. You acknowledge that by collecting the Delayed Opening Fee, we are not waiving any rights and remedies and you shall never contend otherwise. If we decide to collect the Delayed Opening Fee, we retain the right, exercisable in our sole discretion, to terminate this Agreement at any time upon notice without providing you with a refund or to permit you to continue paying the Delayed Opening Fee described herein until your Shop opens.

8.02 Manner of Operation. Your Shop must comply at all times with every provision of this Agreement, the System and the Manual. You may not use the System or the Marks for the benefit of any business other than the Shop. You may not conduct (or permit anyone else to conduct) any business at your Shop other than the franchised Shipley Do-Nuts Shop business embraced by this Agreement without first obtaining our written consent, which we may withhold for any reason or no reason. By way of example but without limitation, you must (a) sell or offer for sale all menu items, products and services required by us and in the method, manner and style of distribution prescribed by us, only as expressly authorized by us in writing in the Manual or otherwise in writing; (b) sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by us; (c) discontinue selling and offering for sale any menu items, products or services which we may, in our sole discretion, disapprove in writing at any time; (d) maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to our standards and specifications; (e) prepare all menu items in accordance with our recipes and procedures for preparation contained in the Manual or other written directives, including, but not limited to, the prescribed measurements of ingredients; and (f) refrain from deviating from our standards and specifications without our prior written consent.

8.03 Pricing. Because enhancing the interbrand competitive position and consumer acceptance for Shipley Do-Nuts products and services is a paramount goal of ours and our franchisees, and because this objective is consistent with the long-term interest of the System overall, we may exercise rights with respect to the pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered and sold at your Shop; recommending retail prices; advertising specific retail prices for some or all products or services sold by your Shop, which prices you will be compelled to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"); designating the prices sold through online ordering and third-party delivery; designating pricing tiers with which you and other Shipley Do-Nuts shops must comply depending on factors we determine in our sole business judgment; and generally otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Shop may charge the public for the products and services it offers. We may engage in any such activity either periodically or throughout the term of this Agreement. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge and agree that any maximum, minimum or other prices we prescribe or suggest may or may not optimize the revenues or profitability of your Shop and you irrevocably waive any and all claims arising from or related to our prescription or suggestion of your Shop's retail prices.

8.04 Health, Safety, Cleanliness and Inspections

A. Health Standards and Reports. You shall meet (or exceed) and maintain the highest health standards and ratings applicable to the operation of your franchised Shop. You shall furnish to us, within 5 days following your receipt thereof, a copy of all inspection reports, warnings, citations, certificates, or ratings resulting from inspections of your Shop conducted by any federal, state, county, local or other governmental agency, commission and/or authority.

B. Our Standards. You shall comply with our requirements and specifications concerning the quality, service and cleanliness of your Shop; the programs, products and services sold, offered for sale

and/or provided at the Shop; and, the operation of the Shop under the System, as those requirements may be specified by us in this Agreement, in the Manual or otherwise in writing.

C. Samples. You shall permit us or our agents, at any time during normal business hours, with or without notice, to remove samples of items from your Shop's inventory, or from your Shop, without payment therefor, in amounts reasonably necessary for testing either by us or an independent laboratory to determine whether said samples meet our then-current standards and specifications. We may require you to bear the costs of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications.

D. Inspections. We (and any of our authorized agents and representatives, including outside accountants or auditors) may during normal business hours, with or without notice, enter your Shop and any premises used by the Shop, and/or visit any locations at which you have provided or are providing products or services to customers or maintain business records, and inspect and audit the products, services and programs provided from or at such locations, the products and supplies contained at such locations and their condition, confer with your employees and customers and copy any of your business or tax books and records. Following any such inspection, you agree to incorporate into your Shop any reasonable corrections and modifications we require to maintain the standards of quality and uniformity we prescribe, as quickly as is reasonably possible and using all resources at your disposal.

E. Third-Party Designee. We reserve the right to require you to contract with a third-party company we designate to conduct healthy, safety and sanitation inspections of your Shop. If we do, we reserve the right to require you to reimburse us for the costs we incur in connection same.

8.05 Modifications to the System

A. Modifications to the System. In the exercise of our sole business judgment, we may from time to time modify any components of the System and requirements applicable to you by means of supplements to the Manual or otherwise, including, but not limited to, altering the products, services, programs, methods, standards, accounting and computer systems, forms, policies and procedures of the System; adding to, deleting from or modifying the products and services which your Shop is authorized and required to offer; modifying or substituting the equipment, signs, trade dress and other Shop characteristics that you are required to adhere to (subject to the limitations set forth in this Agreement); and, changing, improving, modifying or substituting the Marks. By way of example only but without limitation,, we may require you to institute drive-through and/or delivery services at and/or from your Shop and/or install new forms of menu boards, all at your sole cost and expense. For the avoidance of doubt, the above list is not exhaustive; we have the right to modify any and all System standards imposed on you in our sole business judgment at any time. You agree to implement any such System modifications as if they were part of the System at the time you signed this Agreement.

B. Variations. You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any Shop, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the Shop. You will have no right to require us to disclose any variation or grant the same or a similar variation to you.

8.06 Co-branding. We may determine from time to time to incorporate into the System products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Marks and which your Shop, along with other Shipley Do-Nuts shops, will be required to offer and sell. This activity, referred to as "co-branding", may involve changes to the Marks and may require you to make modifications to your Shop's building, premises, furniture, fixtures, equipment, signs and trade dress. If you receive written notice that we are instituting a co-branding program, you agree promptly to implement that program at your Shop at the earliest commercially

reasonable time and to execute any and all instruments required to do so. Under no circumstance will any co-branding program increase your Royalty Fee, Brand Fund Fees or Local Advertising and Promotion obligations under this Agreement.

8.07 Compliance with Laws, Rules and Regulations

A. Compliance. You agree to adhere to the highest standards of honesty, integrity and fair dealing in all dealings with the public and to operate your Shop in strict compliance with all laws, rules, regulations, ordinances, policies and procedures of any federal, state, county, municipal or local governmental or quasi-governmental agency, commission and/or authority which govern the construction or any element of the operation of your Shop, including by way of example but without limitation OSHA, health and sanitation laws, the American with Disabilities Act (ADA), the CAN-SPAM Act, the Telephone Consumer Protection Act (TCPA), the Telemarketing Sales Rule (TSR), and other federal and state laws, including laws regulating the anti-solicitation, marketing phone calls, data security and privacy (including but not limited to the use, storage, transmission, and disposal of data regardless of media type). You should investigate these laws to understand its potential legal obligations.

B. Permits and Licenses. You also agree to timely obtain and keep in good standing any and all permits, certificates or licenses necessary for the full and proper conduct of the Shop, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

C. Notification of Action or Proceeding. You shall notify and deliver to us, in writing within 5 days 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, which may adversely affect the operation or financial condition of the Shop. If you receive any notice, report, fine, test results or the like from the applicable provincial or local department of health (or other similar governmental authority), you shall promptly forward a copy of such document to our attention.

D. Product Recalls. Upon receipt of notice from us (by any means including email or telephone), you must cooperate with and assist us in connection with, and comply with our instructions in connection with, the recall or withdrawal from sale of any programs, products or services for any reason.

E. Terrorism. You represent and warrant to us that, as of the date of this Agreement and at all times during the Term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury's Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or, is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other disposition of this Agreement to a "Specially Designated National or Blocked Person" (as defined below) or to an entity in which a "Specially Designated National or Blocked Person has an interest. For the purposes of this Agreement, "**Specially Designated National or Blocked Person**" means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or

affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business. You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or any other legally prohibited individual or entity.

F. Privacy. Without limitation to the foregoing, you must (i) abide by all applicable laws that regulate the Processing of Personal Information, including, but not limited to, national, state and local Data Protection Laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules (collectively, "**Privacy Laws**"), currently effective and as they become effective; (ii) comply with the terms of the Shipley Data Processing Standards ("**DPS**"), incorporated into this Agreement by reference, a current copy of which is available at: Shipley Franchisee Data Processing Standards - V42624.pdf, and all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause us to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us in compliance with the Privacy Laws; and (v) immediately report to us any actual or suspected Security Incident involving Franchisor Data to Franchisor. You must also comply with payment card industry standards, norms, requirements and protocols, including PCI Data Security Standards and any terms or obligations of the payment card service provider used for the processing of payment cards. If there is a conflict between our standards and policies pertaining to Privacy Laws and applicable law, you shall: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. All capitalized terms used in this Section not defined in the Agreement shall have the same meanings as given them under the DPS.

8.08 Your Participation in the Operation of the Shop; Operating Principal; Shop Manager

A. Your Participation. Unless we otherwise permit in writing, you agree to personally supervise and participate in the day-to-day operation of the Shop and to devote your time, attention and best efforts to the performance of your obligations under this Agreement, all ancillary documents relating to this Agreement and all other agreements which may now or hereafter be in effect between us (or any affiliate) and you (or any affiliate). If you are licensed to operate more than one Shop, then you agree to devote such amount of your time and attention to the performance of your duties as is necessary for the proper and effective operation of each such Shop.

B. Your Operating Principal. Your Shop must have an "**Operating Principal**." Your Operating Principal must have complete decision-making authority with regard to your Shop and must have authority to in all respects act on your behalf under this Agreement. Your Operating Principal is the sole individual with whom we will be required to communicate when we seek to communicate with you. If you are an individual, then you must serve as Operating Principal and if you are a partnership comprised of multiple individuals and/or a business entity, then you must designate an individual who owns an interest in the you and Shop to serve as serve as Operating Principal. Before you designate the Operating Principal, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. The Operating Principal must attend and successfully complete the Initial Training Program.

C. Your Shop Manager. You must either serve as or designate a "**Shop Manager**" for your Shop. Your Shop Manager will be responsible for managing the day-to-day operations at your Shop. Before designating and engaging the services of the Shop Manager, you must identify such individual to us and ensure that such Shop Manager attends and successfully completes the Initial Training Program at your sole cost and expense.

D. Death, Disability or Termination. Upon the death, disability or termination of employment of your Operating Principal or Shop Manager, for any cause or reason, you must immediately notify us. You must designate a successor or acting Operating Principal or Shop Manager, as applicable, promptly but in no event later than 10 days following the death, disability or termination of the predecessor Operating Principal or Shop Manager. Each successor Operating Principal and Shop Manager must possess those credentials set forth in our Manual. Each successor Operating Principal must attend and successfully complete the Initial Training Program. In addition, each successor Operating Principal and Shop Manager, as applicable, must attend and successfully complete any other reasonable training we may require, all at your expense. The failure to employ and train (as applicable) a successor Operating Principal or Shop Manager will constitute a material breach of this Agreement.

8.09 Requirements Concerning Products and Services

A. Products and Services You Sell. You agree to sell all products, services and programs which now or in the future are part of the System unless, as to any one or more items, sale is prohibited by local law or regulation or we have granted you our advance written approval to exclude a product, service or program. You must at all times maintain a sufficient inventory of required products, services and programs to use and offer for sale in your Shop and to satisfy customer demand, as we may determine in our sole business judgment. You may not sell any product, service or program which is not a part of the System or which we delete from the System. If you desire to sell any product, service or program which is not a part of the System, then you must obtain our advance written permission, which we may deny for any or no reason. If we grant such advance written approval, then the product, service or program in question will become part of the System; we may, but will not be required to, authorize the product, service or program for sale at one or more other Shops; we may subsequently revoke our approval for any or no reason; we will own all rights associated with the product, service or program; and, you will not be entitled to any compensation therefor.

B. Sources of Supply. You must purchase certain products, supplies, equipment, materials and services from us or our affiliates, from suppliers we designate in writing; from suppliers you propose and we approve; and/or, if we do not designate a particular supplier, then in accordance with our written specifications. All such designated sources and specifications are subject to addition, modification, revocation and/or deletion by us from time to time upon notice to you. If we revoke or delete any product, supply, equipment, component or any approved supplier, then you must cease using any such disapproved item (or any items purchased from a revoked source of supply) which are inventoried by your Shop within 10 days of written notice from us, unless the item or source of supply poses a threat to the health or safety of the public, in which case you must cease using the item or source immediately upon oral or written notice from us. We may from time to time provide you with specifications governing the minimum standards of products, services and/or equipment required to be used in or sold by your Shop, for which we do not designate a required source of supply. We may (but need not) set forth such specifications in our Manual or in other written notices we transmit to you. We may add to, modify or revoke our specifications in writing from time to time.

C. Certain Products and Services Must be Purchased from Us or Our Affiliates. You must purchase from us, our affiliates or our designees any and all products, goods, supplies and services that we designate, whether proprietary, non-proprietary, trademarked or otherwise (collectively, "**Franchisor Products and Services**"). Franchisor Products and Services must be purchased in accordance with the purchase order format issued from time to time by us or our affiliate, which may include our online ordering portal. We or our affiliate may change the prices, delivery terms and other terms relating to the sale of Franchisor Products and Services to you on prior written notice, provided that such prices shall be the same as the prices charged to similarly situated Shipley Do-Nuts franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses). Such prices shall be our or our affiliates' then-current prices, which may change from time to time. We and/or our may discontinue the sale of any Franchisor Products and Services at any time upon notice if at any time if in our or our affiliate's business judgement the continued sale becomes unfeasible, unprofitable, or otherwise undesirable. We and our

affiliates may serve as an approved supplier and/or a sole approved supplier of goods, services, products, and/or supplies purchased by you.

1. We and our affiliate shall not be liable to you for unavailability of, or delay in the manufacture, delivery or receipt of, Franchisor Products and Services because of temporary product shortages, order backlogs, production difficulties, labor shortages, conditions of supply and demand, import/export restrictions, unavailability of transportation, fire, strikes, work stoppages, disruptions in our or our affiliate's supply sources, or other causes beyond our reasonable control, and the time of performance of any obligation or commitment of us, our affiliates or our designated suppliers shall be extended over a period of time equal to or greater than the time or duration of such delay. If any Franchisor Products and Services are not in sufficient supply to fully fulfill all orders therefor, we or our affiliate may allocate the available supply among ourself, our affiliates and others, including other franchisees, in any way we or our affiliate deem appropriate, which may result in you not receiving any allocation of certain Franchisor Products and Services as a result of a shortage.

2. All orders by you shall be subject to acceptance by us or our affiliate at our or our affiliate's designated offices, and we or our affiliate reserve the right to accept or reject, in whole or in part, any order placed by you. You shall submit to us or our affiliate upon written request, financial statements which contain sufficient information to enable us or our affiliate to determine the credit limits, if any, to be extended to you. We and our affiliate have the sole right to establish the credit terms, if any, upon which your orders will be accepted, and may require you to pay for orders on a cash-in-advance or cash-on-delivery basis.

3. Each order you place, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as we or our affiliate may from time to time specify, and shall be submitted on such form of purchase order as we may prescribe from time to time. No purchase order submitted by you shall contain any terms except as approved in writing by us or our affiliate, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by you. No new or additional term or condition contained in any order placed by you shall be deemed valid, effective or accepted by us unless such term or condition shall have been expressly accepted by us or our affiliate in writing.

4. On the expiration or termination of this Agreement, or in the event of any default by you of this Agreement, we and our affiliates shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by you, and we may notify our approved suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such suppliers to deliver only such quantity of products as is reasonably necessary to supply your needs prior to the expiration or termination date of this Agreement.

5. From time to time upon our or our affiliate's request, you shall promptly estimate the level of purchases that we expect to make from us or our affiliate over the two weeks following the date of the request.

6. You hereby agree to pay promptly after shipment all amounts which you owes to us or and/or our designated suppliers, and we and our designated supplier reserve the right to require prepayment if, in our or its opinion reasonably exercised, your financial condition or other circumstances do not warrant shipment in advance of prepayment. All such payments shall be made via ACH, or by future payments methods that we may later designate. You shall submit your orders to in sufficient time to enable the orders to be filled in the usual course of business of us or the designed suppliers, respectively.

D. Systemwide Supply Contracts. We may, in the exercise of our business judgment, enter into supply contracts either for all Shipley Do-Nuts shops or a subset of Shipley Do-Nuts shops situated within one or more geographic regions (each, a "**systemwide supply contract**"). We may enter into systemwide

supply contracts with one or more vendors of products, services or equipment that all company-owned and Shipley Do-Nuts shops in a geographic area will be required to purchase, use or sell. If we do so, then immediately upon notification, you, we and all other Shipley Do-Nuts shops in the geographic area must purchase the specified product, service or equipment only from the designated supplier. However, if at the time of our notification you are already a party to a non-terminable supply contract with another vendor or supplier for the product, service or equipment, then your obligation to purchase from our designated supplier under the systemwide supply contract will not begin until the scheduled expiration (or earlier termination) of your pre-existing supply contract. We make no representation that we will enter into any systemwide supply contracts or other exclusive supply arrangements or, if we do so, that you would not otherwise be able to purchase the same products and/or services at a lower price from another supplier. We have the right to require you to pay amounts owed to third party suppliers under systemwide supply contracts through us or our affiliates. We may add to, modify, substitute or discontinue systemwide supply contracts or exclusive supply arrangements in the exercise of our business judgment.

E. Rebates. We reserve the right to earn a profit from selling Franchisor Products and Services to you. We and our affiliates may also collect rebates, allowances and credits from other suppliers in the form of cash or services or otherwise based on purchases or sales by you. We reserve the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of goods, services or equipment be paid to us as revenue or into the Brand Fund, if and as we may determine in our sole and exclusive business judgment. If we do so, then you hereby acknowledge that you will not assert any interest in such monies.

8.10 Computer System

A. Computer System. Before the opening of your Shop, you must purchase the back office, kitchen, front of house and point of sale systems, digital menu boards, data, audio, video, and voice storage, retrieval, and transmission systems for use at your Shop and between and among your Shop and us and/or you; physical, electronic, and other security systems; printers and other peripheral devices; archival back-up systems; internet access mode and speed; and other technology components we specify (collectively, the "**Computer System**") that we designate. You must obtain and maintain high-speed communications access that we require for your Computer System. You also must maintain at all times a functioning e-mail address for your Shop.

B. Connections. You must accurately, consistently and completely record, structure, capture and provide through the Computer System all information concerning the operation of the Shop that we require, in the form and at the intervals that we require. You must provide all assistance we require to bring your Computer System online with our computers at the earliest possible time and to maintain these connections as we require. You must record all sales in the Computer System and input and maintain in your Computer System all data and information which we prescribe in our Manual and otherwise. We will have independent access to Computer System and we may retrieve from Computer System all information that we consider necessary, desirable or appropriate. We will bear the costs of this information retrieval. You will provide to us all user ID's and passwords required to access files and other information stored on your Computer System. You will at all times ensure that the only personnel conducting transactions on your Computer System will be those who have been trained and qualified in accordance with the requirements of our Manual.

C. Source of Computer System. We shall have the right, but not the obligation, to develop or have developed for us, or to designate: computer software programs and accounting system software that you must purchase, install and use, at your sole cost and expense, in connection with the Computer System; updates, supplements, modifications, or enhancements to the required software, that you must purchase, install and use, at your sole cost and expense; the tangible media upon which you shall record data; and, the database file structure of your Computer System. If we develop or have developed these items for you, you will be required to pay our then-current software fees associated therewith, use such software, and execute any standard form software license agreement reasonably necessary to do so. We reserve the right to be a

source or the sole approved source for any such Computer System or software component and to earn a profit on such items. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third-party vendor establish. You are required to procure and use the inventory management software we specify from time to time, from a vendor we have approved.

D. Maintenance and Upgrades to Computer System. You must, at your expense, keep your Computer System in good maintenance and repair. You shall make, from time to time, such upgrades and other changes to the Computer System and required software as we may require in writing. You agree to install at your own expense the additions, modifications, substitutions and/or replacements to your Computer System hardware, software, telephone and power lines and other Computer System facilities as we direct, on the dates and within the times we specify in our Manual or otherwise and to afford us unimpeded access to your Computer System and required software as we may request, in the manner, form, and at the times requested by us. There is no limit our ability to require you to update and/or upgrade your Computer System and required software or the cost of any update and/or upgrade.

8.11 Websites and Social Media

A. Our Website. We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("**URL's**") and, if we do, we may design and provide for the benefit of your Shop a "click through" subpage at each such website for the promotion of your Shop. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at each such website for the promotion of your Shop, you agree to routinely provide us with updated copy, photographs and news stories about your Shop suitable for posting on your Shop's "click through" subpage, the content, frequency and procedure of which will be specified in our Manual. Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Shipley Do-Nuts shops – also be devoted in part to offering Shipley Do-Nuts franchises for sale and be utilized by us to exploit the electronic commerce rights which we alone reserve (as provided in Section 3.03 above). We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Shipley Do-Nuts website we establish and maintain, including any and all material you may furnish to us.

B. You May Not Maintain a Website or E-Commerce Presence. You may not maintain your own website; otherwise maintain a presence or advertise on the internet / virtual platform (including without limitation the metaverse); develop a non-fungible token (NFTs) or develop or maintain any other mode of electronic commerce in connection with your Shop; establish a link to any website we establish at or from any other website or page; or, at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the name "Shipley", "Shipley Do-Nuts", any of our other Marks, or any name or variant confusingly similar thereto.

C. Social Media. You are not permitted to promote your Shop or use any of the Marks in any manner on any social media (as defined below), without our prior written consent. You must comply with our System standards regarding the use of social media in your Shop's operation, including prohibitions on your and the Shop's employees posting or blogging comments about the Shop or the System, other than on a website established or authorized by us ("**social media**" includes personal blogs, common social networks like Facebook, Instagram, TikTok Snapchat, Reddit, YouTube, Vimeo, Pinterest, professional networks like LinkedIn, live-blogging tools like Twitter (X), virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We reserve the right to conduct collective/national campaigns via local social media on your behalf.

D. Intranet. In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and systemwide communications (among other activities) can be effected.

8.12 Power of Attorney for Telephone Listings and Internet Accounts, Etc. Upon the execution of this Agreement or at any time thereafter, you shall, at our option, execute such forms and documents as we deem necessary, to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us only upon the termination or expiration of this Agreement, (i) all rights to the telephone numbers of the Shop and any related and other business listings; and (ii) internet and social media listings, domain names, internet accounts, advertising on the internet, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Shop. You agree that you have no authority to and shall not establish any website or listing on the internet without our express written consent, which consent may be denied without reason.

8.13 Adequate Reserves and Working Capital. You must at all times maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under this Agreement and to cover the risks and contingencies of the Shop for at least 3 months. These reserves may be in the form of cash deposits or lines of credit.

8.14 Credit Cards and Payment Systems. You shall accept payment from customers in any form or manner we designate (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). You shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as we require. You agree to become and remain a merchant for any credit cards and/or credit card processors which we may specify in our Manual or otherwise. Further, you agree to maintain the creditworthiness required of each of these credit card issuers; to honor these cards for credit purposes; and, to abide by all related regulations and procedures that we and/or the credit card issuer prescribe.

8.15 Vending or Other Machines. Except with our written approval, your Shop Location may not have any vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical devices installed or maintained.

8.16 Uniforms and Employee Appearance. You shall cause all employees, while working in the Shop, to: (i) wear uniforms of such color, design, and other specifications as we may designate from time to time; and (ii) present a neat and clean appearance. If we remove the type of uniform utilized by you from the list of approved uniforms, you shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. In no case shall you permit any of your employees to wear the required uniform except while working at the Shop; without limiting the generality of the foregoing, the uniform may not be worn off premises for any other purpose (other than while commuting to and from work at the Shop).

8.17 Brand Payment Programs. You must, at your sole cost and expense, participate in any gift cards, certificates, or other pre-paid systems, and customer loyalty programs, membership/subscription programs, customer incentive programs, and/or customer online ordering and/or mobile application programs we may designate from time to time, in the manner we may specify in the Manual or otherwise in writing (collectively, the "**Brand Payment Programs**"). Your participation may require you to purchase technology and equipment items from our designated suppliers at your sole cost and expense, and to give away free and/or discounted menu items to customers, at your sole cost and expense, in connection with any such programs we mandate. Your costs and expenses may also include, without limitation, amounts charged in connection with the issuance/sale of gift cards by third-party retailers, which amounts may be held back from reimbursements to you for redemptions in connection with any such program. You must cooperate in all respects to implement, support and maintain such systems, including providing us and our representatives with access to your banking accounts. You shall comply with all procedures and specifications that we may designate from time to time related to Brand Payment Programs. We reserve the right to alter the terms and conditions of any such Brand Payment Programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs.

8.18 Compliance With Security Protocols. You agree to assure all communication connections (of whatever form, wireless, cable, internet, broadband or other) and access to financial information, especially credit card information, is at all times kept secure in a manner which is in compliance with all legal requirements and, particularly, with all security requirements of the issuing credit card companies (including payment card industry data security standards (PCI-DSS)). You further agree to hold us and the other Indemnitees (as defined in Article 10) harmless from any and all claims and liabilities related to same. In addition, at your cost, you agree to provide us with a written report of verification from a specialist approved by us confirming compliance with the obligations imposed by this Section 8.18 and any other proof of such compliance that we may reasonably require.

8.19 Hours of Operation. You agree to continuously operate the Shop on the days and during the minimum hours that we may from time to time specify in our Manual or otherwise. You may establish hours of operation in addition to the required minimum hours.

8.20 Business Entity Requirements and Records. If you are a corporation, limited liability company, limited partnership or any other type of business entity, you must comply with the following requirements (which will also apply to any assignee of this Agreement which is a business entity):

A. Furnish us with all of your formation, organizational and governing documents; a schedule of all owners (indicating as to each its percentage ownership interest); any shareholder, partnership, membership, buy/sell or equivalent agreements and documents; and a list of all of your officers, directors and managers (as applicable).

B. Your business entity's formation and governing documents must provide that its activities will be confined exclusively to the operation of the Shop.

C. You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein.

D. You shall not permit any mortgage, lien, pledge or other security interest in respect of any of your business entity's shares, equity interests or other ownership interests without our prior written consent. Any violation of the preceding restriction will give us the right to terminate this Agreement immediately upon notice to you.

8.21 Principal Owners Statement. You must accurately and completely describe all of the ownership interests in you in Exhibit D You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein and secure our prior written consent regarding such change.

8.22 Staffing. You agree to maintain a competent, conscientious, trained staff in sufficient numbers as necessary to promptly, efficiently and effectively service customers. You shall take such steps as are necessary to ensure that your employees preserve good customer relations. You and your staff must refrain from the use of profane language, or abusive and threatening behavior or language, directed toward us, our representatives and/or customers.

8.23 Testimonials and Endorsements. You agree to permit us (or any of our authorized agents or representatives) to communicate in any manner with your customers to procure customer testimonials and endorsements of the products or services furnished by your Shop and any related products or services. You agree to cooperate with us in procuring testimonials and endorsements. You agree that we will be free to make whatever use of testimonials and endorsements that we determine, and that we will owe you absolutely no direct or indirect compensation or other duty as a consequence of our use.

8.24 Trade Accounts. You agree to maintain your trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers. If you do not maintain your trade accounts in a current fashion, we may pay any or all of the accounts on your behalf, but we will have no obligation to do so. If we

pay any accounts on your behalf, then you agree to immediately repay us as provided by Section 5.07D. If you do not keep your trade accounts current or make immediate repayment to us, this will be a material breach of this Agreement entitling us to terminate this Agreement following our giving you notice and an opportunity to cure your breach.

8.25 No Conflicting Agreements. During the Term of this Agreement, you may not be party to any contract, agreement, business entity formation or governance document, mortgage, lease or restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

8.26 Customer Complaints. You shall use your best efforts to promptly resolve any customer complaints. We may take any action we deem appropriate to resolve a customer complaint regarding the Shop, and we may require you to reimburse us for any expenses.

8.27 Evaluation and Compliance Programs. You shall participate at your sole cost and expense in programs we require from time to time for obtaining customer evaluations, reviewing your compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. You must meet or exceed any minimum score requirements we set for such programs. We may also set minimum scores that you must receive from the public on internet review sites (such as Yelp or Google). Additionally, you shall participate in any complaint resolution and other programs as we may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.28 Public Relations and Crisis Management Events. You shall not make any public statements (including giving interviews or issuing press releases) regarding us, our Shipley Do-Nuts franchise network, your Shop, or any particular incident or occurrence related to the Shop, without our prior written approval, which will not be unreasonably withheld. You shall provide us with the contact information of at least two people that we can contact during an event that occurs at or about the Shop that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of us, our affiliates or of any other Shipley Do-Nut shops (each, a "**Crisis Management Event**"). You must immediately inform us upon the occurrence of a Crisis Management Event (and in any event, no more than 24 hours after the occurrence), by telephone and email (or other electronic messaging medium authorized by us for this purpose) as we may specify in the Manual or otherwise in writing. You shall cooperate fully with us with respect to our response to the Crisis Management Event.

8.29 Step-In Rights. If we determine in our sole business judgment that the operation of your Shop is in jeopardy, if a default occurs, or in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, then in order to prevent an interruption of the Shop which would cause harm to the System and thereby lessen its value, you hereby authorize us to manage and operate your business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. All monies from the operation of the Shop during such period of operation by us shall be kept in a separate account, and the expenses of the Shop, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Shop franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties. We will charge a management fee, in the amount of 10% of Gross Sales (the "**Management Fee**") if we manage and operate your Shop. In addition, you must reimburse our expenses.

9. INSURANCE

9.01 Your Required Insurance Coverage

A. Required Categories of Insurance. Within 10 days following our execution of this Agreement, and thereafter at all times throughout the term of this Agreement, you agree to purchase at your own expense, and maintain in effect at all times, the following categories of insurance coverage in forms and through insurance companies satisfactory to us:

1. Commercial general liability coverage of at least $2,000,000 aggregate and at least $1,000,000 per occurrence.

2. Cyber coverage of at least $100,000 for any claims related to credit card breaches.

3. Property insurance on your Shop and property in an amount adequate to replace them in case of an insured loss.

4. If any vehicle is operated in connection with the Shop, automobile liability insurance (including coverage for all owned, non-owned, leased or hired vehicles) with minimum liability of $500,000 combined single limit.

5. Workers' compensation, employer's liability and any other employee insurance required by any applicable federal, state or local law, rule or regulation (but in no event less than $1,000,000 for employer's liability insurance).

6. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement.

7. Umbrella liability coverage in no event less than $1,000,000 per occurrence and $2,000,000 aggregate.

B. Policy Requirements. The insurance coverage that you acquire and maintain under this Article 9 must:

1. Name us, Shipley Do-Nut Flour and Supply Co LLC, SDC Holdco LLC, and the other Indemnitees identified in Article 10 as additional insureds and provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured (except for workers' compensation, employer's liability and any other employee-related insurance mandated by any federal, state or local law, rule or regulation).

2. Contain no provision which in any way limits or reduces coverage for you if there is a claim by one or more of the Indemnitees.

3. Extend to and provide indemnity for all obligations assumed by you under this Agreement and all other items for which you are required to indemnify us under this Agreement.

4. Be primary to and without right of contribution from any other insurance purchased by the Indemnitees.

5. Provide, by endorsement, that we are entitled to receive at least 30 days prior written notice of any intent to reduce policy limits, restrict coverage, modify, cancel, not renew or otherwise alter or amend the policy.

6. Contain a waiver of subrogation rights against us, the other Indemnitees identified in Article 10, and any of our successors and/or assigns.

7. Be obtained from responsible insurance carriers acceptable to us which possess a Best's Insurance Guide rating of no less than "A- VII".

C. You May Not Reduce Insurance. You agree not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend any required insurance policy without our specific advance written consent, which may be denied for any or no reason.

D. Claims by Indemnitees. If there is a claim by any one or more of the Indemnitees against you, you must, upon our request, assign to us all rights which you then have or thereafter may have with respect to the claim against the insurer(s) providing the coverages described in this Section 9.01.

E. Our Rights to Modify to Insurance. You agree that we may periodically add to, modify or delete the types and amounts of insurance coverage which you are required to maintain under this Agreement, and all features and elements thereof, by written notice to you (through a Supplement to our Manual, or otherwise). Upon delivery or attempted delivery of this written notice, you agree to immediately purchase insurance conforming to any such newly established standards and limits.

9.02 Purchase of Insurance on Your Behalf. If you fail to purchase insurance conforming to the standards and limits we prescribe, we may (but we are not required to) obtain on your behalf the insurance necessary to meet these standards, through agents and insurance companies that we choose. If we do this, then you must immediately pay the required premiums or reimburse us for the premiums we advanced and must also pay us a reasonable fee for the efforts we undertake to obtain such insurance for you. Nothing contained in this Agreement will impose any duty or obligation on us to obtain or maintain any specific forms, kinds or amounts of insurance on your behalf.

9.03 No Undertaking or Representation. Nothing in this Agreement may be considered our undertaking or representation that the insurance that you are required to obtain or that we may obtain for you will insure you against any or all insurable risks of loss which may arise out of or in connection with the operation of the Shop. We advise you to consult with your insurance agent and other risk advisors regarding any types, amounts or elements of insurance coverage beyond those specified herein which may be prudent to obtain.

9.04 Certificates of Insurance. You agree to promptly provide us with certificates of insurance evidencing the required coverage no later than ten days before the date that the Shop will commence operations. You agree to renew all insurance policies and documents and to furnish a renewal certificate of insurance to us before the expiration date of the expiring policy in question. We may at any time require you to forward to us full copies of all insurance policies.

9.05 Failure To Purchase Insurance Or To Reimburse. If you fail to purchase or maintain any insurance required by this Agreement or you fail to reimburse us for our purchase of any required insurance on your behalf, your failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

10. INDEMNIFICATION

10.01 Your Indemnification Obligation. You agree that you will, at your sole cost, at all times defend us, any affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (we and all others referenced above being the "Indemnitees"), and indemnify and hold harmless us and the Indemnitees to the fullest extent permitted by law, from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand,

investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to any element of your establishment, construction, opening and operation of your Shop, including (without limitation) any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of the Shop; any failure to comply with FDA and/or menu labeling laws, rules and regulations; any violation of data protection laws, rules and regulations; any claims that we are the employer, joint-employer or co-employer of you or your employees or relating to any non-competition requirements imposed on your employees; any crimes committed on or near any of the premises, facilities of your Shop or vehicles used by your Shop; all acts, errors, neglects or omissions engaged in by you, your contractors or subcontractors, as well as any third-party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation or upgrading of your Shop, whether or not any of the foregoing was approved by us; defects in any Shop you construct and/or operate, whether or not discoverable by you or by us; all acts, errors, neglects or omissions of you or the Shop and/or the owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliates or representatives of you or the Shop (or any third-party acting on your behalf or at your direction), whether in connection with the Shop or otherwise, including (without limitation) any property damage, injury or death suffered or caused by any delivery person or vehicle serving your Shop; all liabilities arising from or related to your offer, sale and/or delivery of products and/or services as contemplated by this Agreement; and, any action by any customer of yours or visitor to your Shop or any other facility of your Shop business.

As used above, the phrase "claims, losses, liabilities and costs" includes all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys' and experts' fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Indemnitees' attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by you pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity or defense

10.02 Notice of Claims. You agree to give us written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Indemnitee within three days of your actual or constructive knowledge of it. At your expense and risk, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, we will seek your advice and counsel and keep you informed with regard to the defense or contemplated settlements. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnitees and to hold us and them harmless.

10.03 Settlement of Claims. We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to do so. Under no circumstance will we or the other Indemnitees be required to seek recovery from third-parties or otherwise mitigate our or their losses to maintain a claim against you. You agree that any failure to pursue recovery from third-parties or mitigate loss will in no way reduce the amounts recoverable by us or the other Indemnitees from you. The indemnification obligations of this Section will survive the expiration or sooner termination of this Agreement.

11. ADVERTISING

11.01 Advertising Standards You Must Comply With

A. Our Approval. You may only use advertising which we have either furnished (through sale to you or otherwise) or approved in writing in advance. We may require you to purchase advertising materials we develop at a reasonable cost. Our approval of any of your proposed advertising may be withheld for any or no reason. If we do not respond within 10 business days following our documented receipt of your proposed advertising material, then our approval will be deemed withheld and the proposed advertising material not approved. You may not use any advertising material approved by us if our approval took place more than 12 months prior to the proposed use. You acknowledge that our grant or denial of our approval of your proposed advertising will not give rise to any liability on our part and you waive any possible claims against us to the contrary.

B. Your Advertising Conduct. You agree to conduct all advertising which uses the Marks or refers in any way to your Shop in a dignified manner and in a fashion calculated to avoid fraud, illegality, deception, misrepresentation, embarrassment, shame, ridicule, disparagement or liability of any type or nature accruing to you, us, your business, the System, your Shop or other Shipley Do-Nuts franchisees or Shipley Do-Nuts shops. You agree to conform all of your advertising to the standards, specifications and requirements specified in writing by us, in our Manual or otherwise (which may include restrictions on your ability to advertise your Shop to customers located proximate to other franchised or company-owned Shops). If we learn that you have breached these requirements, we will notify you in writing and if you do not cure the breach within 3 days following delivery of our notice, then we may remove any unauthorized advertising at your expense, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to you (which we may also do if your breach, by its nature, is incurable).

C. Advertising Definition. Under this Agreement, the term "**advertising**" is defined to mean any and all advertising, identification and promotional materials and programs of any type or nature whatsoever including print and broadcast advertisements; direct mail materials; brochures; advertising specialties; electronic commerce communications and "bulletin boards"; any advertising on the internet/worldwide web; public relations and brand awareness programs; direct mail; door hangers; freestanding inserts and coupons; sponsorships; point of sale materials; press releases; business cards; displays; leaflets; telephone and computer greetings; messages and voice-mail/e-mail sent to or accessible by customers or other third parties; promotional material captured in any electronic medium; and, any other material or communication which we denominate as "advertising" in our Manual or otherwise.

D. Advertising Materials We May Provide. Upon your written request, we may (but need not) provide you with advertising and promotional materials. You will be responsible for all costs and expenses we incur in connection with such advertising and promotional materials, and we have the right to charge you 10% above that cost as our handling charge. For the avoidance of doubt, you expressly understand and agree that we have no obligation to produce, obtain, or have on hand any such advertising and promotional materials to sell or provide to you.

E. Total Advertising Spend. We currently require you to spend 3% of your weekly Gross Sales on fees and expenditures related to advertising, marketing and promotional programs, comprised of your Local Advertising and Promotion expenditure requirement and your Brand Fund or Regional Advertising Cooperative fee as of the Effective Date. Notwithstanding the foregoing or anything in this Agreement to the contrary, we reserve the right to require you to spend up to 5% of your weekly Gross Sales (your "**Total Advertising Spend**") in the form of fees, payments, and expenditures related to our advertising, marketing and promotional programs. We have the right to determine and modify from time to time in our sole business judgement the required allocation of your Total Advertising Spend among the System Brand Fund, Regional Advertising Cooperatives (if applicable) and Local Advertising and Promotion. Various franchisees may be subject to different Total Advertising Spend requirements and allocations depending on a number of factors we determine in our sole business judgement.

11.02 Administration of the System Brand Fund

We have established a System Brand Fund (the "**Brand Fund**") that we or our designee will administer as follows:

A. As provided in Section 5.03, you agree to pay us Brand Fund Fees equal to 1% of your previous week's Gross Sales, which combined with the contributions made by other Shipley Do-Nuts franchisees, will constitute the Brand Fund.

B. We will direct all advertising programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Brand Fund advertising. You acknowledge that the Brand Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the System. You further acknowledge that we and our designees undertake no obligation in administering the Brand Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Territory. The Brand Fund is not a trust and we are not a fiduciary with respect to the Brand Fund.

C. The Brand Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or local marketing, including (without limitation): production and media; television, radio, cable, magazine, newspaper and digital and social media advertising campaigns; other advertising, marketing and public relations and promotional materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Shipley Do-Nuts website; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the System and for competitive networks or units); conducting cryptocurrency, non-fungible token (NFTs) and other blockchain promotions; developing and maintaining a presence on any virtual platform (including, without limitation, the metaverse); celebrity endorsements; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for Brand Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; related retainers; association dues (including the International Franchise Association); social media programs on the internet; cellular telephone and smartphone media programs, other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect the System or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other advertising agency fees.

D. We need not maintain the sums paid by franchisees to the Brand Fund, or income earned from the Brand Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the Brand Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Brand Fund and advertising programs for franchisees including, without limitation, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Brand Fund and the annual statement of Brand Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Brand Fund. Our right to expend monies from the Brand Fund to reimburse us for such activities is exclusive of any advertising agency fees which the Brand Fund must expend to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

E. Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Brand Fund income and expenses for the fiscal year just ended, a copy of which statement will be sent to you upon request.

F. We expect to expend most contributions to the Brand Fund for advertising during the fiscal year when the contributions are made. If we expend less than the total sum available in the Brand Fund during any fiscal year, we may either expend the unused sum during the following fiscal year or rebate all or a portion of the unused sum to franchisees on a pro rata basis for them to spend on Local Advertising and Promotion (as provided for in subsection G). If we advance and expend an amount greater than the amount available in the Brand Fund in any fiscal year (in addition to any sum required to be expended because we did not expend all the sums in the Brand Fund during the preceding year), we will be entitled to reimburse ourselves from the Brand Fund during the following fiscal year for all such advanced sums, with interest payable on such advanced sums at the greater rate of 1.5% per month or the maximum commercial contract interest rate permitted by law (with interest accruing the first calendar day following the day on which we advance and expend any such sum).

G. We reserve the right to use any media, create any programs and allocate brand funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their Brand Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total contributions collected from all Shipley Do-Nuts franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Brand Fund Fees to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish in our Manual or otherwise.

H. The Brand Fund will not be used for any activity whose sole purpose is the sale of franchises. However, the design and maintenance of our website (for which Brand Fund monies may be used) may, without violating the provisions of this Agreement, include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of the Shipley Do-Nuts brand and the franchise opportunity.

I. Although the Brand Fund, unless we specify otherwise, is intended to be a perpetual duration, we maintain the right to terminate the Brand Fund, but will not do so until all of the monies in the Brand Fund have been expended for advertising and promotional purposes.

11.03 Grand Opening Marketing, Local Advertising and Promotion

A. Grand Opening Marketing. Prior to scheduling your Initial Training Program, you and we will discuss the grand opening marketing campaign for your Shop, which will generally cover the period equal to 1 month prior to and 6 months after opening of your Shop ("**Grand Opening Marketing Campaign**"). You must spend at least $20,000 on the Grand Opening Marketing Campaign (the "**Grand Opening Expenditure**") and we reserve the right to require you to pay the Grand Opening Marketing Expenditure to us prior to the date you start construction on your Shop, in which case we reserve the right to conduct the Grand Opening Marketing Campaign on your behalf. If we do not conduct the Grand Opening Marketing Campaign on your behalf, we must approve the Grand Opening Marketing Campaign in advance; the Grand Opening Marketing Campaign must be effected through our approved advertising vendors; and you must present us with such documentation as we require (such as, by way of example, receipts, invoices, etc.) evidencing your full satisfaction of, and/or commitment to fully satisfy your Grand Opening Marketing Campaign.

B. Ongoing Local Advertising and Promotion. In addition to the Grand Opening Marketing expenditure, you agree to expend at least 2% of the previous week's Gross Sales on Local Advertising and Promotion, on an ongoing basis for term of this Agreement. "**Local Advertising and Promotion**" means the local or regional advertising and promotional activities that we specify in our Manual or otherwise or approve in advance as provided in Section 11.01. You will not be entitled to a credit against your minimum

Local Advertising and Promotion requirement for contributions made to a Regional Advertising Cooperative (except as subject to the Total Advertising Spend).

C. Evidence of Local Advertising and Promotion. No later than 15 days following our request, you agree to provide to us a complete and accurate record of your Local Advertising and Promotion expenditure during the relevant period as well as copies of all statements, invoices and checks issued during any requested period showing that you have spent the required amounts for Local Advertising and Promotion.

11.04 Regional Advertising Cooperatives. We have established certain historic regional advertising cooperatives (each, a "**Regional Advertising Cooperative**") to which certain existing franchisee members in the respective regions contribute 1% of their Shop's weekly Gross Sales (the "**Contributions**"). The Regional Advertising Cooperative Contribution may be increased upon a majority vote of the members thereof. We or our third party representative will administer such Regional Advertising Cooperatives, will prepare an annual, unaudited statement of collections and expenses within 120 days after our fiscal year end and may, upon written request, provide a copy of the statement to members of that Regional Advertising Cooperative. The Regional Advertising Cooperative will be governed in the manner we prescribe. If there is a Regional Advertising Cooperative for the area in which your Shop is located, we may require and/or permit you to become a member and make Contributions thereto, which Contributions will be in addition to your obligation to pay us the Brand Fund Fees and to make the local advertising expenditure, but will be subject to your Total Advertising Spend requirement. We may from time to time in the future, in our sole discretion, establish, change, merge or dissolve one or more Regional Advertising Cooperatives in any area, or we may approve the creation of such a Regional Advertising Cooperative by franchisees in the System, and establish the rules and regulations therefor. Shops that we and our affiliates own need not contribute to a Regional Advertising Cooperative. We need not ensure that any member benefits directly or pro rata from such Contribution. We undertake no trust or fiduciary relationship relating to any Regional Advertising Cooperative. We are not responsible for the actions of the Regional Advertising Cooperative's representative.

12. RECORDS, AUDITS, REPORTING REQUIREMENTS, TAXES AND DEBTS

12.01 Financial Statements

A. Opening Report. Within 120 days after the Shop opens for business, you shall submit to us a report detailing your investment costs to develop and open the Shop, in the form and manner as we may specify, and with such other information as we may request

B. Monthly Financial Statements. No later than 30 days following the end of each calendar month during the Initial Term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the profit and loss of the Shop business for the month and a balance sheet as of the end of the month. You must certify these statements to be true and correct.

C. Annual Financial Statements. No later than 90 days following the end of each of your fiscal years during the term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the Shop's business's profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year, prepared on a compilation basis and certified to be true and correct by you. We reserve the right to require these annual financial statements to be audited by an independent certified public accountant.

D. Standards for Financial Statements. The financial statements required above must be prepared in accordance with United States generally accepted accounting principles, including all disclosures required under those principles.

E. Tax Returns. No later than 30 days following your filing of the annual tax returns for the Shop business, you agree to furnish to us exact copies of the tax returns, including federal, state and any local

income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by you to any governmental agency or entity have been paid, and that if you are a business entity, there is no reason to believe that your entity's status has been impaired.

F. Your Failure to Timely Comply. If you do not timely furnish to us any of the financial statements or tax returns required above in this Article 11 then you agree to pay us a late charge of $50 per month that each financial statement or tax return is overdue. We may also in such circumstance elect to terminate this Agreement upon giving you notice and an opportunity to cure your default.

G. Disclosure Authorization. You hereby authorize us to incorporate into our franchise disclosure document and/or promotional literature information derived from the above financial statements, so long as you and/or your Shop are not individually identified.

12.02 Financial Records and Audit

A. Recording all Gross Sales and Maintaining Records. You agree to record all Gross Sales received by and all expenditures made by you or your Shop. You further agree to keep and maintain adequate records of all such Gross Sales and expenditures and to maintain accurate books, records and tax returns, including related supporting material (such as cash receipts, and credit and charge records) for your Shop. We may specify, in our Manual or otherwise, the forms and media that you will be required to use in recording your Shop's Gross Sales and expenditures. You agree to keep and preserve for 7 years (or such longer period as may be required by any law, rule or regulation) the types and classes of electronic and/or other books, records and tax returns that we specify in our Manual or otherwise, along with all business, personnel, financial and operating records, in any media, relating to your Shop. If you do not maintain the required records, this will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. Our Right to Audit. We and/or our agents (who may be outside accountants and auditors), designees and/or employees will have the right, at any time, with or without written notice, during normal business hours, to enter your Shop and any other premises from which the Shop is conducted, in a fashion calculated not to disrupt your Shop's operations, to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state, foreign and, if applicable, city); and, your files relating to programs, services and products sold, business transacted and expenditures relating to the Shop. These files must include (without limitation) your operating records; bookkeeping and accounting records; customer lists; customer job orders; operating records; operating reports; correspondence; general business records; your copy of the Manual (as amended); invoices; payroll records; journals; ledgers; files; memoranda and other correspondence; contracts; and, all sources and supporting records used to prepare the reports and forms which you are required to submit to us under this Agreement, including the books or records of any business entity which owns the Shop. You agree to make any of these materials available for examination at your premises. Alternatively, we may determine to conduct any such audit either at our offices or at the office of a designee of ours and, if we do, you will be required to transmit some or all of the foregoing books and records to us or our designee. In addition to the foregoing, we may require you to scan and electronically transmit to us such volume of the above-referenced records, files and documents as will not unreasonably burden the licensed business. You also agree to provide us with such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Shop as may be specified in the Manual or that we may from time-to-time request.

C. Your Understatement. If an audit reveals that you understated the Gross Sales on your weekly reports to us by any amount for any week within the period of examination, or for the entire period of examination, when compared to your actual Gross Sales, then you agree to immediately pay us the additional

amount payable as shown by the audit, plus interest calculated as provided in subsection 5.07D. If an audit reveals that you understated the Gross Sales on your weekly reports to us by more than 2% but less than 5% for any week within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due and interest calculated as provided in subsection 5.07D, you agree to immediately pay us the full cost of the audit for the entire period of examination. If an audit reveals an understatement by you of 5% or more for any week within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due, interest calculated as provided in subsection 5.07D and the full cost of the audit for the entire period of examination, your understatement will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If an audit reveals that you understated your Gross Sales by 2% or less for any week or for the entire period, you must immediately pay us the amount due, plus interest, but we will pay the cost of the audit.

D. Copies of Government Reports. You shall provide us with copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Shop, within 3 days of your receipt thereof.

12.03 Taxes

A. Taxes. You shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by you in the conduct of the Shop under this Agreement. Without limiting the provisions of Article 10 ("Indemnification"), you shall be solely liable for the payment of all Taxes and shall indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether such Taxes were correctly or legally asserted or not. You shall submit a copy of all tax filings sent to federal, state and local tax authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority. The term "**Taxes**" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Shop, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed on you or us.

B. Withholding. If any amounts payable by you to us are subject to withholding or other Taxes that you are required to deduct from the payments, you shall promptly deliver to us at the time of payment all receipts of applicable governmental authorities for all such Taxes withheld or paid. If you or any other person is required by any law or regulation to make any deduction or withholding (on account of Tax or otherwise) from any payment for our or our affiliate's account, you shall, at our option, either: (a) together with the payment, pay such additional amount as will ensure that we or our affiliate receives (free and clear of any Tax or other deductions or withholding) the full amount which we would have received if no such deduction or withholding had been required; or (b) make such payment having taken into account the relevant deduction or withholding (on account of Tax or otherwise). You shall ensure that withholding or other Taxes that you are required to deduct from amounts payable by us to you or our affiliates under this Agreement are paid to the relevant taxation authority on the same date as the amounts payable by you to us under this Agreement are paid to us.

C. Indemnity. You are responsible for and shall indemnify and hold us and our affiliates harmless against any penalties, interest and expenses incurred by or assessed against us or our affiliates as a result of your failure to withhold such Taxes or to timely remit them to the appropriate taxing authority. You shall fully and promptly cooperate with and assist us to provide all information and records we may request in connection with any application by us to any taxing authority with respect to Tax credits, exemptions or refunds available for any withholding or other Taxes paid or payable by you.

D. Refunds. If we or our affiliate is required to refund to you any amounts paid hereunder, we and our affiliate will not be required to refund that portion of those amounts that were withheld by you in

order to comply with any applicable Tax law unless and until we or our affiliate receives a refund of those amounts from the applicable government or agency thereof or uses a foreign Tax credit which is directly attributable to those amounts on our or our affiliate's income or with respect to which the period within which the credit may be reduced or disallowed has expired.

E. Payments to Us. Each payment to be made to us hereunder shall be made free and clear and without deduction for any Taxes.

F. Tax Disputes. 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 the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the Shop or any improvements thereon.

13. CONFIDENTIAL INFORMATION AND COVENANTS NOT TO COMPETE

13.01 Restriction on Use of Confidential Information. You agree to use and permit the use of our Confidential Information (as defined below) solely in connection with the operation of your Shop. You further agree that you will never – during the Initial Term or any Renewal Term of this Agreement, or any time after this or any Renewal Franchise Agreement expires or terminates, or your rights under this Agreement or any Renewal Franchise Agreement are assigned or terminated – divulge or use any of our Confidential Information for the benefit of yourself, your owners (if you are a business entity) any third party (including any person, business entity or enterprise of any type or nature), nor will you directly or indirectly aid any such third party to imitate, duplicate or "reverse engineer" any of our Confidential Information.

"**Confidential Information**" means all information, knowledge, trade secrets or know-how utilized or embraced by the System or which otherwise concerns your or our systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software. Confidential Information includes (without limitation): all elements of the System and all products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; our Manual (including supplements to the Manual); all specifications, sources of supply, all procedures, systems, techniques and activities employed by us or by you in the offer and sale of products and/or services at or from your Shop; all pricing paradigms established by us or by you; all of our and/or your sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); our specifications, and your final plans, for the construction, buildout, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Shop; the identify of, and all information relating to, the Computer System hardware and software utilized by us and you; all information pertaining to our and/your advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists and records generated and/or otherwise maintained by your Shop; our (and, if in the future we permit, your) internet/web protocols, procedures and content; our training and other instructional programs and materials; all elements of our recommended staffing, staff training and staff certification policies and procedures; all communications between us (including the financial and other reports you are required to submit to us under this Agreement); personal information as defined under the Shipley DPS, additions to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which we employ now or in the future; and, all other information, knowledge and know-how which either we or our affiliates, now or in the future, designate as confidential.

Except as authorized in this Agreement, you agree never to copy, duplicate, record or otherwise reproduce any of the Confidential Information, in whole or in part; otherwise share it with any other third-party individual or entity; store it in a computer or other electronic format; or otherwise make it available to any third party by any other means whatsoever. Upon the expiration or termination of this Agreement, you agree to return to us such Confidential Information as we request (including customer lists and records; all training

materials and other instructional content; financial and non-financial books and records; the Manual; and computer databases, software and manuals) which is then in your possession or, upon our request, destroy all or certain such Confidential Information and certify such destruction to us. It is specifically understood that all customer lists or information adduced by your Shop is our property, not yours, and you shall never contend otherwise.

You must only divulge such Confidential Information to your operational personnel as is necessary for each to perform his/her functions and then only on a "need to know" basis. You agree to take all necessary precautions to insure that these individuals maintain the Confidential Information in confidence and comply with the confidentiality provisions of this Agreement. Your agreement to procure execution of our Confidentiality/Non-Competition Agreement from certain of your owners, management and staff is set forth below in Section 13.05.

13.02 Covenant Not to Compete

A. In-Term Covenant Not to Compete. You acknowledge the uniqueness of the System and that we are making our knowledge, know-how, and expertise available to you for the purpose of operating the Shops strictly and solely within the Franchise Territory. You agree that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate, any of the knowledge, know-how or expertise you receive from us or our affiliates for any reason other than for the operation of the Shop under this Agreement. As such, you hereby agree that during the Term of this Agreement, you will not at any geographic location whatsoever, directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business.

B. Post-Term Covenant Not to Compete. You hereby agree that for a period equal to 2 years immediately following the upon expiration, termination, or transfer of this Agreement, or any Renewal Franchise Agreement for any reason, or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, you will not directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business at the Shop Location and/or within (a) your Territory, (b) within 10 miles of the perimeter of your Territory or (c) within 10 miles of the perimeter, or within, the territory or market area (as applicable) of any other franchised or company-owned Shipley Do-Nuts shop (regardless of how established or operated).

C. Competitive Business. A "**Competitive Business**" means any other business or activity which offers or sells donuts, kolaches, or any of the other products or services which now or hereafter are authorized for sale under the System or component thereof in any manner; which offers or sells similar or related products or services; which engages in any of the activities which this Agreement contemplates that you will engage in; or, which offers or sells any other product, service or component which now or in the future is part of the System, or any confusingly similar product or service. You are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, member, director, manager, officer, employee, principal, agent, advisor, consultant, lessor, sublessor or any similar capacity. In addition, you agree not to divert any business that should be handled by the Shop to any other person or entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Agreement will prevent you from owning for investment purposes only up to an aggregate of 5% of the capital stock of any Competitive Business you do not control, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange.

D. Competitive Business at Shop Location. Further, during Initial Term or any Renewal Term of this Agreement, and for 2 years following the termination, expiration or transfer of same for any reason, you agree not to sell, assign, lease, sublease or otherwise grant possession of your Shop and/or Shop

Location to any individual or entity which intends to utilize same to conduct a Competitive Business thereat (and it shall be your affirmative duty in connection with any such sale, assignment or other disposition of your Shop and/or Shop Location to secure a written memorialization from the purchaser, assignee, lessee, sublessee or permittee that it has no intent to conduct a Competitive Business, as herein defined, following the subject transaction).

E. Non-Solicit. Further, during Initial Term or any Renewal Term of this Agreement, and for 2 years following the termination, expiration or transfer of same for any reason, you agree not to solicit for employment or hire our management personnel, the management personnel of any of our affiliates or the management personnel of any other Shop without first obtaining any written permission from us and the employer(s) of the personnel in question.

F. Further Requirements. It is the intention of these provisions that any person or entity within a legal or beneficial interest in or traceable to, down or through you be bound by the provisions of this covenant, including (without limitation) your spouse, brother, brother-in-law, sister, sister-in-law, parents, parents-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary of yours; and, any other related person or entity, regardless of how many levels or tiers there may be between you and the person or entity. In addition, if you are a business entity, you agree to cause your (as applicable) owners, members, shareholders, directors, officers, partners, general partner, proprietor and or any other beneficial owner to refrain from any of the competitive activities described above in any manner which we reasonably request. In all instances, you shall also cause your Operating Principal, Shop Manager, Area Manager (if applicable) and all other key management employees of your Shop to refrain of any of the competitive activities described above in any manner which we reasonably request. Your agreement to procure the execution of our Confidentiality/Non-Competition Agreement from certain such individuals is set forth below.

13.03 Lesser Included Covenants Enforceable At Law. If all or any portion of the covenants not to compete set forth in this Article 13 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency is hereby empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You expressly agree to be bound by any lesser covenants subsumed within the terms of this Article 13 as if the resulting covenants were separately stated in and made a part of this Agreement.

13.04 Enforcement of Covenants Not To Compete. You acknowledge that any violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that any violation of the covenants not to compete will conclusively be deemed to have been accomplished by and through your unlawful use of our Confidential Information, know-how, methods and procedures. Further, you expressly agree that any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants not to compete in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' and experts' fees that we incur in connection with the enforcement of the covenants not to compete set forth in this Agreement.

13.05 Procurement of Additional Covenants. You agree to require and obtain substantially similar covenants as those set forth in Article 13 and as in our current form of Confidentiality/Non-Competition Agreement attached as Exhibit C hereto, from all of the following persons:

1. Before employment or any promotion, your Operating Principal, Shop Manager, and all other managerial personnel; and,

2. If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your

officers, directors and managers; and all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you. You shall procure all such Confidentiality/Non-Competition Agreements no later than 10 days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within 10 days following such individual or entity's attaining such status) and shall furnish to us copies of all executed Confidentiality/Non-Competition Agreements within 10 days following their execution.

Notwithstanding the foregoing, we reserve the right, in our sole discretion, to unilaterally decrease the period of time or geographic scope of the non-competition covenant set forth in Exhibit C or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section 13.05 and/or to modify our form of Confidentiality/Non-Competition Agreement at any time upon notice to you. You are solely and exclusively required, at your sole cost and expense, to ensure that the form of Confidentiality/Non-Competition Agreement obtained from your employees complies with applicable law.

13.06 Your and Our Enforcement of Confidentiality/Non-Competition Agreements. You agree to vigorously and vigilantly prosecute to the fullest extent permitted by law breaches of any Confidentiality/Non-Competition Agreement executed by any of the individuals referenced in Section 13.05, and you acknowledge our right, to be exercised as we alone determine, to ourselves and enforce the terms of any such executed Confidentiality/Non-Competition Agreement. If the provisions of our Confidentiality/Non-Competition Agreement have been breached by an individual employed, engaged or otherwise serving your Shop who has not executed a Confidentiality/Non-Competition Agreement, you must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law.

13.07 Generative AI. You will not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("**Generative AI**") - - including by way of example only but not limited to ChatGPT, Google Gemini, Microsoft Copilot, and Perplexity AI - - directly or indirectly in the operation of the Shop business, including without limitation, in advertising, promotion, or marketing of the Shop or the System, communications with customers, business planning, analysis or optimization, or in any social media. You acknowledge and agree not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized by us in writing. In addition, you shall prohibit your employees from using any Confidential Information in Generative AI. In the event you utilize any Generative AI, with or without our prior approval, you shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

14. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY

14.01 Our Ownership of Marks. You agree that the Marks are our (or our affiliates') exclusive property. You assert and will in the future assert no claim to any goodwill, reputation or ownership of the Marks by virtue of your licensed use of the Marks, or for any other reason. You agree that you will not do or permit any act or thing to be done in derogation of any of our rights or the rights of our affiliates in connection with the Marks, either during or after the term of this Agreement. You agree not to apply for or obtain any trademark or service mark registration of any of the Marks or any confusingly similar marks in your own name. You agree to use the Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. If you are a business entity, then you agree that under no circumstance will you incorporate any of the Marks, any portion thereof or any name or mark derivative of or similar to the Marks, in your business entity's name. You may never use the Marks in connection with any other business except for the Shop. You agree that you will not, during or after the term of this Agreement, impair the goodwill associated with the Marks or in any way dispute or impugn the validity of the Marks, our rights (or those of

our affiliates) to the Marks, or the rights of us, our affiliates, other franchisees of ours or other third parties to whom we may have licensed the Marks to use the Marks. You acknowledge that our rights in the Marks are not limited to the specific presentation or configuration of any of them, but rather extend to all combinations and displays of the words and/or design elements thereof and extend to all translations of them in any language. Further, you acknowledge and agree that our rights in and to the Marks are not limited to such rights as may be conferred by registrations thereof or by applications for registrations but, instead, include extensive common law and other rights in the Marks vested in us as a result of their use by us or our affiliates and other authorized parties.

14.02 Limitations on Your License to Use the Marks. Nothing in this Agreement will give you any right, title or interest in or to any of our (or our affiliates') Marks except as a mere privilege and license, during the Initial Term of this Agreement, to display and use the Marks according to the limitations set forth in this Agreement, in our Manual or in other written notices to you. In all instances your use of the Marks must comply with our directions, limitations, specifications and authorized prescribed uses. You expressly understand and agree that you are bound not to represent in any manner that you have acquired, and you will not asset any claim to, any ownership, goodwill, reputation or equitable rights in any our Marks by virtue of the limited license granted under this Agreement, by virtue of your use of any of the Marks or otherwise. All of your uses of the Marks, whether as a trademark, service mark, trade name or trade style, will inure to our benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with your use of the Marks or operation of the Shop including any "local goodwill", which, you expressly agree, exclusively vests in us.

14.03 Use and Display of Marks

A. You must not use, and must not permit or cause another to use, the Marks except in the manner and to the extent specifically licensed to you under this Agreement. You agree that each use you make of any Mark will accurately portray the Mark and that the Mark will not be used or portrayed in a manner which jeopardizes the goodwill associated with the Mark or the System. You agree to use the Marks in full compliance with rules we prescribe from time to time in our Manual or otherwise. You are prohibited (except as expressly provided in this Agreement) from using any Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by us to you). You may not use any Mark in connection with the sale of any unauthorized service, product or program or in any other manner not explicitly authorized in writing by us. You may use the Marks only for the operation of the Shop or in advertising for the Shop. Your right to use the Marks is limited to the uses authorized under this Agreement. Any unauthorized use of the Marks by you will constitute an infringement of our rights and a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. You may not use the Marks in any way which will incur any obligation or indebtedness on our behalf. You agree to comply with our Manual's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and in executing any documents considered necessary by us or our counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

C. You agree to affix our Marks on the facilities of your Shop, including your Shop, delivery vehicles operated by your Shop, your Shop's point-of-sale materials, signs, stationery, advertising, sales, marketing and promotional materials and other objects in the size, color, lettering style and fashion and at the places which we designate in our Manual or otherwise. You also agree to display the Marks and relevant trademark and copyright notices pursuant to the requirements set forth in the Manual. No trademarks, logotypes, names, symbols or service marks other than the Marks may be used by or in connection with your Shop in any fashion whatsoever except as we may expressly provide in our Manual or as we may approve in writing.

14.04 Trade Name. You must conduct your Shop business under the assumed business name "Shipley Do-Nuts". You agree, at your expense, to perform all filings and procure all required or necessary government

approvals or registrations required to do business under that assumed business name and to furnish to us copies of all such filings, approvals and registrations.

14.05 Corporate Name. If you are a business entity, you may not use our Marks or any confusingly similar words or symbols, in your entity name. In particular, you may not use the words "Shipley," "Shipley Do-Nuts," or any variant as part of your business entity name.

14.06 Independent Ownership. You must never identify yourself as an agent of ours. You must conspicuously identify yourself, your Shop in all dealings with your customers, contractors, suppliers, public officials and members of the public, and in all advertising, promotion and marketing related to your Shop, as our independently owned and operated franchisee. You agree to place this notice of independent ownership in your Shop and any other facilities of the Shop, and on your delivery vehicle(s), printed materials, business cards, stationery, marketing and advertising materials, signs and other written or electronic modes that we may specify in such fashion and as we require from time to time, in our Manual or otherwise.

14.07 Our Defense of Marks and Copyrights. If you receive notice, are informed or learn of any claim, suit or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any of our copyrights (each, a "**claim**"), you agree to promptly notify us. We will then promptly take any action we may consider necessary to protect and defend you against the claim and indemnify you against any loss, cost or expense incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to your use of the Marks or copyrights. You may not settle or compromise the claim by a third party without our prior written consent. We will have the right to defend, compromise and settle the claim at our sole cost and expense, using our own counsel. You agree to cooperate fully with us in connection with the defense of the claim. You grant irrevocable authority to us, and appoint us as your attorney in fact, to defend and/or settle all claims of this type. You may participate at your own expense in the defense or settlement, but our decisions with regard to the defense or settlement will be final. We will have no obligation to defend or indemnify you pursuant to this Section 14.09 if the claim arises out of or relates to your use of any of the Marks and/or our copyrights in violation of the terms of this Agreement.

14.08 Prosecution of Infringers. If you receive notice, are informed or learn that any third party which you believe is not authorized to use the Marks is using the Marks or any variant of the Marks, you agree to promptly notify us. We will then determine whether or not we wish to take any action against the third party on account of the alleged infringement of our Marks. You will have no right to make any demand or to prosecute any infringement claim.

14.09 Discontinuance or Substitution of Marks. You agree that at any time we may direct you at your sole cost and expense to modify or discontinue the use of any Mark and/or adopt and use one or more additional or substitute Marks and that, under such circumstance, you will be required promptly to comply with any of our directions or instructions. We will not be liable to you for any other expenses, losses or damages sustained by you as a result of any Mark addition, modification, substitution or discontinuation except as provided herein. You waive any claim for any such other expenses, losses or damages and covenant not to commence or join in any litigation or other proceeding against us for any of these other expenses, losses or damages.

14.10 Intellectual Property You Develop. You hereby permanently and irrevocably assign to us any and all rights and interests (including intellectual property rights and interests) to any and all of the following which is developed by you or on your behalf, if developed in whole or in part in connection with your Shop: all products or services; all variations, modifications and/or improvements on products or services; your means, manner and style of offering and selling products and services; management techniques or protocols you may develop (or have developed on your behalf); all sales, marketing, advertising and promotional programs, campaigns or materials developed by you or on your behalf; and, all other intellectual property developed by you or on behalf of your Shop. We may authorize ourselves, our affiliates and/or other Shipley Do-Nuts shops to use and exploit any such rights which are assigned to us hereunder. The sole consideration

for your assignment to us of all of the foregoing rights shall be our grant of the franchise conferred upon you by this Agreement.

14.11 Photo/Video Release. You acknowledge and authorize us to use your likeness and the Shop's likeness in a photograph in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph using such likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish or distribute any photograph of you or of the Shop for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph of you or your Shop. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action which you may have in connection with this authorization.

14.12 Customer Data. At our request, and subject to applicable law, you shall use reasonable efforts to secure the names, telephone numbers, addresses and other information we reasonably require, of your customers at the Shop and shall allow such information to be used by us and our affiliates. You may not divulge such data, with or without remuneration, to any third party. You shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. Without limiting the generality of anything else contained herein, all data that you collect, create, provide or otherwise develop (including, but not limited to information regarding customers but excluding regarding your officers, directors, shareholders and employees) is (and will be), unless we designate otherwise in writing to you (at any time in our sole business judgement), owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. 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 Initial Term of this Agreement and solely for your use in connection with the Shop under this Agreement. You agree to provide us with the information that we reasonably require with respect to data, privacy and cybersecurity requirements, including those requirements as outlined in the terms of the Shipley DPS, incorporated into this Agreement by reference, a current copy of which is available at: Shipley Franchisee Data Processing Standards - V42624.pdf. and to sign any documents and agreements we request for compliance with applicable laws relating to same. You are required to safeguard any such data using commonly accepted practices in the restaurant industry as well as comply with any Data Protection Laws.

15. CONDITIONS TO AND PROCEDURES GOVERNING RENEWAL

15.01 Conditions to Renewal. Your right to enter into a Renewal Franchise Agreement will be conditioned on the following:

A. You must notify us in writing no more than 9 months and no less than 6 months before the expiration of the Initial Term of this Agreement of your desire to enter into a Renewal Franchise Agreement.

B. We are still offering franchises in the area in which your Shop is located.

C. Throughout the Initial Term and at the time of renewal you must have performed all of your material obligations and been in compliance with the terms of this Agreement, the Manual and other agreements between you and us or our affiliates.

D. At the time of renewal, you must be current on the payment of all monetary obligations to us, our affiliates, the lessor or sublessor of your Shop and any material third party supplier of yours;

E. Within 120 days after the applicable Renewal Term, you must refurbish, redesign, upgrade and/or remodel your Shop as we reasonably require to meet our then current standards (without offset against any amounts you previously invested during the Initial Term).You and/or your Operating Principal (as applicable) and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense.

F. You must pay us a renewal fee equal to 25% of our then-current Initial Franchise Fee for a Shipley Do-Nuts franchise;

G. You must be able to renew the lease for your Shop Location on terms acceptable both to you and us, or lease a substitute Shop Location acceptable to and approved by us, without any interruption of business in compliance with the terms of Section 6.08;

H. You must have signed our then-current form of General Release; and,

I. No sooner than 15 days, but no later than 25 days, after you receive our renewal package, you must execute the Renewal Franchise Agreement and return it to us.

If you do not perform any of the acts or deliver any of the writing required herein in a timely fashion, this will be considered your conclusive election not to exercise your right to enter into a Renewal Franchise Agreement and such right will then automatically lapse and expire without further notice or action by us. If this occurs, this Agreement will terminate at the end of the Initial Term, except for the post-termination and post-expiration provisions of this Agreement which by their nature will survive. Time is of the essence with regard to this Article 15.

15.02 Notice of Expiration. If applicable law requires us to give you notice of expiration of this Agreement at a specified time prior to such expiration, and we have not done so, then the term of this Agreement will be extended to the date following which our notice has been given and the legally required notice period has expired.

15.03 Interim Period. If you do not sign a Renewal Franchise Agreement prior to the expiration of this Agreement and continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of expiration with you then operating without a license to do so and in violation of our rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

16. ASSIGNMENT

16.01 Assignment By Us. We will have the right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person or business entity, provided that the assignee must expressly agree to assume Franchisor's obligations hereunder. You agree and affirm that we may sell our company, our assets, our Marks and/or System to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other business entities or be acquired by another business entity; and/or, may undertake a refinancing, recapitalization, securitization, leveraged buyout or other economic or financial restructuring. With regard to any such sale, assignment, merger, acquisition or financial activities, you expressly and specifically waive any claims, demands or damages arising from our related to the substitution of our name, Marks (or any variation thereof) and System; the loss of association with us or identification of us as the "Franchisor" under this Agreement; and any and all other claims, demands or damages arising from or related to such activities. If we assign this Agreement, as provided herein, you expressly agree that immediately upon and following such assignment, we will no longer have any obligation – directly, indirectly or contingently – to perform or fulfill the duties and obligations imposed upon "Franchisor" hereunder. Instead, all such duties and obligations will be performed solely by our assignee, and you will never assert, contend or complain otherwise. We shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment. In connection with any of the foregoing, at our request, you shall deliver to us a statement in writing certifying:

(a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that you are not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as we may reasonably request; and you agree that any such statements may be relied upon by us and any prospective purchaser, assignee or lender.

16.02 Assignment By You – General. You understand and acknowledge that we have entered into this Agreement in reliance on and in consideration of your singular personal skill and qualifications (or, if you are a business entity, the personal skill and qualifications of your owners and managers), and the trust and confidence that we repose in you (or your owners and managers, if you are a business entity), and that this Franchise Agreement and the franchise conveyed hereunder is therefore personal to you and is your personal obligation. Accordingly, except as provided below, neither all nor any part of your interest in this Agreement; the franchise conveyed hereby; your rights, privileges or obligations under this Agreement; your Shop; the ownership of your Shop business; or, your rights to use the System, Marks, Confidential Information and Manual may in whole or in part be assigned, sold, transferred, shared, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any fashion without first obtaining our written consent in accordance with this Article 16 and without first complying with our right of first refusal pursuant to Section 16.06 below. Any actual or attempted assignment, transfer or sale of this Agreement, the franchise conveyed hereunder, your Shop, any ownership interest in you (if you are a business entity), any of the other interests, rights or privileges identified in the preceding paragraph, or any interest in any of these, in violation of the terms of this Article 16, will be null, void and of no effect, and will be a material and incurable breach of this Agreement which, unless we waive to the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If you are a business entity, then for the purposes of this Agreement "assignment" includes (without limitation) the transfer, issuance or redemption in the aggregate of voting power or (as applicable) the capital stock, partnership interest, membership interest or any other species of ownership interest in you to any person or entity, regardless of whether the transfer is to a person or entity who is (i) already a (as applicable) shareholder, member, partner or other category of owner of your Shop; (ii) the spouse of such individual; (iii) a trust controlled by such individual; or, (iv) a business entity owned, controlled and composed solely of such individuals in the same proportionate ownership interest as each such individual had in you before the assignment, as provided below. You agree to immediately report to us all such requested transfers or assignments of ownership in your business entity for our approval in accordance with the procedure set forth in our Manual or otherwise.

16.03 Assignment By You – To A Business Entity You Form. If you would like to transfer your interest in this Agreement to a business entity you form solely for the convenience of business entity ownership, you must obtain our prior written consent. We will not unreasonably withhold consent if all of the following conditions are met:

A. The business entity must be newly organized and duly formed, and its activities must be confined exclusively to serving as "Franchisee" under this Agreement.

B. Each individual involved in the new entity has the same proportionate ownership interest in the new entity as he or she had before the assignment.

C. You and the business entity must execute an agreement with us under which you and the business entity agreed to be jointly and severally liable for all duties, responsibilities and obligations to us under this Agreement and expressly agree to be bound by all of the terms, conditions and covenants of this Agreement. Each then-current and future owner of any interest in the business entity must agree in writing to personally guarantee the performance by the business entity of your obligations under this Agreement, and to be individually bound by all of the terms and conditions of this Agreement and any other agreements between you and us, in the form of Exhibit E to this Agreement.

D. Each present and future owner of any interest in the business entity must execute our Confidentiality/Non-Competition Agreement in the form of Exhibit C to this Agreement.

E. The name of the business entity formed by you may not include any of the Marks, any variant thereof or any word confusingly similar thereto.

F. All of your business entity's organizational documents and evidence of ownership interests (such as stock certificates) must state that the issuance and transfer of any interest in the business entity are restricted by the terms of this Agreement and subject to our prior written consent.

G. At our request, you shall, and shall cause each of your affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such affiliate, to execute and deliver to us a general release, on a form prescribed by us of any and all known and unknown claims against us and our affiliates and their officers, directors, agents, shareholders and employees; and

H. You shall reimburse us for all direct and indirect costs and expense we may incur in connection with the transfer, including attorney's fees.

Any transfer pursuant to this Section 16.03 will not be subject to our right of first refusal below.

16.04 Assignment By You – Sale To Third Party. You may not sell or otherwise assign or transfer all or any interest in you (if you are a business entity), the franchise conferred by this Agreement, your Shop, your right to use the System, Marks, Confidential Information and/or Manual, or any interest in any of these, to a third party without our prior written consent. If we do not elect to exercise our right of first refusal (as provided in Section 16.06 below), which right shall not apply in the event that the assignee is a member of your immediate family, then we will not unreasonably withhold consent to the assignment and sale. You agree that it will not be unreasonable for us to impose, among other requirements, the following conditions to granting consent to the proposed assignment and sale:

A. That the proposed assignee applies to us for acceptance as a franchisee and furnishes to us the information and references that we request to determine the proposed assignee's skills, qualifications, financial condition, background and history, reputation, economic resources and ability to assume your duties and obligations under this Agreement and any related agreement. You must pay the costs of any such investigation conducted by us.

B. That the proposed assignee (or, if an entity, the principals of the proposed assignee) presents itself for a personal interview at our corporate office, or any other location we designate, at the date and time we reasonably request, without expense to us. We may determine to meet with your proposed assignee at his, her or its principal place of business or residence and, if we do, you will reimburse us for all travel, lodging, meal and personal expenses related to such activity.

C. That the proposed assignee (or, if an entity, the principals of the proposed assignee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in our reasonable judgment, to conduct the Business contemplated by this Agreement.

D. That the proposed assignee and/or his, her or its proposed Operating Principal attend and receive certification in safe food handling from a state-approved food safety program and attend and successfully complete our Initial Training Program before the assignment, and any other training that we reasonably require, at the assignee's expense (which will include our then-current training fee and the cost of the trainee's transportation, lodging, food and other living expenses).

E. That the lessor or sublessor of your Shop Location consents in writing to the assignment of your lease to the proposed assignee.

F. That, as of the date of the assignment, you have cured any existing defaults under any provisions of this Agreement or any other agreement or arrangement with us or our affiliates and have fully satisfied in all respects all of your accrued and/or then-current monetary and other obligations to us and our affiliates (under this Agreement or otherwise), all sources of financing of your Shop and all material sources of supply of your Shop.

G. That the assignee executes a new Shipley Do-Nuts Franchise Agreement, and all other agreements required of new franchisees, in the form and on the terms and conditions we then offer to prospective franchisees, which terms and conditions may vary significantly from this Agreement. The assignee will not be obligated to pay another Initial Franchise Fee under the new Agreement but will be required to pay our then-current fees for furnishing our Initial Training Program and for any other services we are required to furnish under the new Agreement. The term of the new Franchise Agreement will be equal to the balance of the term of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for your guarantees; any of your obligations to us or our affiliates which remain outstanding and/or unsatisfied; and the post-termination and post-expiration provisions of this Agreement which, by their nature, will survive.

H. That the assignee has acquired or will be able to immediately acquire following the execution of the new Franchise Agreement, all permits, licenses and other authorizations required by any federal, state or local, rule or regulation to operate the Shop. If applicable law enables you to transfer or assign any of the aforementioned permits, licenses and/or authorizations which you possess to the assignee, then you agree to do so immediately following our execution of the assignee's new Franchise Agreement.

I. That the Total Sales Price is not so excessive, in our sole determination, that it jeopardizes the continued economic viability and future operations of the Shop and/or the assignee. "**Total Sales Price**" means all consideration of every kind paid or payable to you or any other person in connection with, arising out of or relating to the assignment or transfer of the franchise, the Franchise Agreement or the Shop, whether money, property or other thing or service of value including consideration received for your Shop; your rights under this Agreement; contracts; goodwill; restrictive covenants; your furniture, fixtures, equipment and trade dress elements; accounts receivable; any consulting salary; or, any other fees or arrangements or other form of consideration, whether the consideration is received in the present or promised to be given to the assignor or any other person in the future (including the highest possible value of any contingent future consideration).

J. That if the proposed assignee is a business entity, then the owners of that business entity must execute a Confidentiality/Non-Competition Agreement in the form of Exhibit C to this Agreement and a Guarantee in the form of Exhibit E to this Agreement.

K. That you, if you are a business entity; all of your owners; and, the proposed assignee (and, if it is a business entity, all of its owners) execute our then-current form of general release of any and claims, demands and causes of action which you, such owners or the assignee may or might have against us and/or our affiliates.

L. That if the proposed assignee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we will execute the new Franchise Agreement and, as applicable, will continue to be complied with thereafter.

M. That you furnish us with a copy of any proposed contract of assignment (and any related agreements) and, promptly following execution, furnish to us a copy of the executed contract of assignment (and any related agreements).

N. That the proposed assignee, at its expense, refurbish, redesign, upgrade and/or remodel the Shop (without offset against any amounts you previously invested during the Initial Term)to conform with

our then-current standards and specifications and completes this upgrading within the time reasonably specified by us.

O. That you pay us a transfer fee equal to 50% of our then-current Initial Franchise Fee or such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with the application for transfer (including costs relating to the review of the application, training of the assignee and legal and accounting fees). This transfer fee must be paid at the time you submit an application to us requesting the transfer.

If we consent to the assignment of this Agreement and/or your Shop, we will also consent to the assignment of the lease for your Shop and all other agreements between you and us or our affiliates, and you agree to assign your lease and such other agreements to the same assignee. After the assignment, you will remain liable under all the assigned agreements to the extent they require.

You expressly agree that your obligations to indemnify and hold harmless us and the other Indemnitees extends to and embraces liabilities arising from or relating to, directly or indirectly, any statements, representations or warranties that you may give to or receive from any proposed assignee and/or any claim that you (and, if you are a business entity, your owners, Operating Principal, Shop Manager, management or employees) or your assignee engaged in fraud, deceit, violation of franchise laws or other illegality in connection with the negotiation or consummation of the assignment. As with all other indemnification obligations set forth in this Agreement, this specific indemnification obligation will survive the termination or expiration of this Agreement.

You further understand and agree that our approval of any assignment transaction will not constitute our waiver of any claims against you by us or our affiliates, under this Agreement or otherwise.

16.05 Assignment By You – Transfer Upon Death or Disability. Upon your death or disability (as defined below) (if you are an individual), or the death or disability of your last surviving owner (if you are a business entity), that person's rights will pass to his or her estate, as heirs, legates, guardians or representatives, as appropriate (collectively, the "**Estate**"). The Estate may continue the operation of your Shop if: (i) the Estate provides competent and qualified individuals acceptable to us to serve as Operating Principal and Shop Manager and operate your Shop on a full-time basis; (ii) the Operating Principal attends and successfully completes our next offered Initial Training Program at the Estate's expense; and, (iii) the Operating Principal assumes full-time operation of your Shop within one month of the date you or your last surviving owner (as applicable) dies or becomes disabled. In the alternative, the Estate may sell the Shop within 6 months of the death or long-term disability in accordance with the provisions of Section 16.04 and subject to our right of first refusal under Section 16.06. Failure to comply with one of these alternatives will be a material breach of this Agreement which, unless cured by the Estate as provided in Section 18.03, will result in this Agreement being terminated immediately.

A. "**Disability**" means any physical, emotional or mental injury, illness or incapacity which prevents or will prevent a person from performing the obligations set forth in this Agreement for at least ninety consecutive days. Disability will be determined either after this 90-day period or, if we elect, at an earlier time following an examination of the person by a licensed practicing physician selected and paid for by us. If the person refuses to submit to an examination, then the person will automatically be considered permanently disabled as of the date of the refusal.

B. Step-In Rights. From the date of death or disability until a fully trained and qualified Operating Principal assumes full-time operational control of the Shop, we may assume full control of and operate the Shop but will have no obligation to do so. If we do so, then during this period, we will deduct our expenses for travel, lodging, meals, and all other expenses and fees from the Shop's Gross Sales and pay ourselves a management fee equal to the greater of (i) two times the compensation paid to the individual(s) assigned by us to operate the Shop, or (ii) 10% of the Shop's weekly Gross Sales. This management fee will be in addition to the Royalty Fees due us under this Agreement. We will then remit any remaining funds to

the Estate. The Estate must pay us any deficiency in sums due to us under this Agreement within ten days of our notifying the Estate of the deficiency. We will not be obligated to operate your Shop. If we do so, we will not be responsible for any operational losses of the Shop, nor will we be obligated to continue operating the Shop.

16.06 Right of First Refusal. Your rights to assign, transfer, redeem or sell any interest in this Agreement or the Shop, voluntarily or by operation of law (as provided above), will be subject to our right of first refusal (except in those instances specified above where no such right will pertain), which right of first refusal we may freely assign to any individual or entity. We will exercise our right of first refusal in the following manner.

A. You must deliver to us a true and complete copy of the proposed assignee's offer (the "**notice**") including all its material terms and furnish to us any additional information concerning the proposed transaction and the proposed assignee that we reasonably request.

B. Within 60 days after our receipt of the notice (or, if we request additional information, within 60 days after receipt of the additional information), we may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at our option accept the assignment to ourselves or to our designee, on the terms and conditions specified in the notice. If we or our designee accept the assignment, we will be entitled to all of the customary representations and warranties given by the seller of assets of a business, including (without limitation) representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and your contingent and other liabilities affecting the assets. Any dispute regarding the value of all or any part of the assets or rights proposed to be assigned and/or the consideration proposed to be paid or payable to you or any third party in connection with the proposed assignment shall be determined by a reputable independent appraiser we select, and you and we equally share the expense of, whose determination will be final and binding on us.

C. If you are a business entity and a partial transfer is proposed through the assignment or redemption of more than 25% of your entity's ownership interests other than to any of your entity's co-owners, then we or our designee will have the option to purchase not only the interests being transferred but also all remaining interests, so that our resulting ownership will be 100% of your business entity. The price of these remaining interests will be proportionate to the price of the interests initially being offered.

D. Our credit will be considered at least equal to the credit of any proposed purchaser. We may substitute cash for the fair market value of any other form of payment proposed in the offer.

E. If we give notice of exercise of our right of first refusal, we will be given at least sixty days after our notice to prepare for closing. You agree to take all action necessary to assign your lease agreement with the lessor of your Shop Location to us.

F. If we elect not to exercise our right of first refusal and we consent to the proposed assignment or redemption, then you will, subject to the provisions of this Article, be free to assign this Agreement or the Shop to your proposed assignee on the terms and conditions specified in the notice if you satisfy the conditions of Section 16.04 for our approval of an assignment and if you close the transaction within sixty days (or such further time as may be stipulated by law, rule or regulation). If, however, the terms specified in your notice are changed, the changed terms will be considered a new offer, and we will have an identical right of first refusal with respect to this new offer. Further, if you fail to close the assignment transaction within sixty days (or such further period of time as may be stipulated by applicable law, rule or regulation), then our right of first refusal hereunder shall be restored and we may elect to exercise same within thirty days thereafter.

G. Our election not to exercise our right of first refusal with regard to any offer will not affect our right of first refusal with regard to any later or modified offer. If we do not exercise our right of first

refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. You and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the Shop specified in this Article 16.

16.07 No Encumbrance. You will have no right to pledge, encumber, mortgage, hypothecate or otherwise give any third party a security interest in you, this Agreement or your Shop in any manner without our prior written permission, which we may withhold for any reason.

17. RELATIONSHIP OF THE PARTIES

17.01 Relationship of the Parties.

A. Independent Contractor. You understand and agree that you are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Shop does not directly or indirectly vest in us the power to hire, fire or control any such employee.

B. Your Control Over Operations. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your Shop and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Shop, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Shop.

C. You May Not Obligate Us. You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Shop. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Shop.

17.02 Franchisee is the Sole and Exclusive Employer of its Employees. Franchisee hereby irrevocably affirms, attests and covenants its understanding that Franchisee's employees are employed exclusively by Franchisee and in no fashion is any such employee either employed, jointly employed or co-employed by Franchisor. Franchisee further affirms and attests that each of its employees is under the exclusive dominion and control of Franchisee and never under the direct or indirect control of Franchisor in any fashion whatsoever. Franchisee alone hires each of its employees; sets their schedules; establishes their compensation rates; and pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/Affordable Care Act

contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate its employees to the exclusion of Franchisor, which has no such authority or ability. Franchisee further attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that Franchisee's Shop is at all times staffed at those levels necessary to operate Franchisee's Shop in conformity with the System and the products, services, standards of quality and efficiency, and other Shipley Do-Nuts brand attributes known to and desired by the consuming public and associated with the Marks. Franchisee affirms, warrants and understands that it may staff its Shop with as many employees as it desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also affirms and attests that any recommendations it may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate its Shop, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee affirms and attests that any training provided by Franchisor for Franchisee's employees is geared to impart to those employees, with ultimate authority, the various procedures, protocols, systems and operations of a Shop and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, then should any such appearance by Franchisee be required or requested by Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue (including travel, lodging, meals and per diem salary).

18. DEFAULT AND TERMINATION

18.01 Termination By Us – Automatic Termination Without Notice. You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you, the Shop or the business to which the franchise relates is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against you or the Shop and is not immediately contested and/or dismissed within sixty days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, the Shop or assets of either is filed and consented to by you; a receiver or other custodian (permanent or temporary) of all or part of your assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against you or the Shop; you are dissolved; execution is levied against you, the Shop or your property; or, the real or personal property of the Shop is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

18.02 Termination By Us Upon Notice – No Opportunity To Cure

You will have materially breached this Agreement and we may, at our option, terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by certified mail, registered mail, overnight courier or personal physical delivery, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events:

1. You do not open your Shop for business by the Opening Deadline set forth in Section 8.01; cease operating the Shop; abandon the franchise relationship established under this Agreement; or, fail to operate your Shop for two consecutive days, or three individual days within a twelve month period, during which you are

required to operate it under this Agreement, unless your failure to operate is due to fire, flood, other acts of God or other similar causes beyond your control.

2. You omitted or misrepresented any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.

3. We and you agree in writing to terminate the Franchise Agreement.

4. You do not secure the Shop Location for the Shop within the time limits and following the procedures specified in Article 6 of this Agreement.

5. You lose the right to possession of the Shop Location, provided that if the loss of possession results from the government's exercise of the power of eminent domain, or if, through no fault of yours, the premises are damaged or destroyed, then you will have thirty days after this event to apply for our approval to relocate your Shop in accordance with the relocation provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for us to withhold approval if your relocated Shop will not open for business within 90 days of the closing of the damaged or destroyed Shop.

6. You, your Operating Principal, Shop Manager and/or, if you are a business entity, any owner, member, shareholder, director or manager (as applicable) of such entity is convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your operation of the Shop, or is likely to have an adverse effect on the System, the Marks, the goodwill associated with the Marks or our interest in the System or Marks.

7. You purport or, if you are a business entity, any owner or principal of you purports to transfer any rights or obligations under this Agreement, any interest in you, your business or your Shop to any third party in violation of the terms of this Agreement.

8. You do not comply with the covenant not to compete during the term of this Franchise Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or do not obtain the execution of the additional covenants required by this Agreement.

9. You knowingly conceal revenues; maintain false books or records; falsify information or otherwise defraud or make false representations to us; or submit any false report to us.

10. You do not maintain the financial records required by Section 12.02.

11. You fail on 3 or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you.

12. You make a willful misrepresentation or do not make a material disclosure required by any governmental authority regarding any matter involving or affecting the operations of your Shop.

13. You commit any act or default which materially impairs the goodwill associated with our Marks and which, by its nature, is incurable, or, if the default is curable,

you fail to cure the default following delivery of written notice to cure at least 72 hours in advance.

14. You do not comply, for a period of 15 days after notification of non-compliance by us or any governmental authority, with any federal, state or local law or regulation applicable to the operation of the Shop.

15. You do not purchase or maintain any insurance required by this Agreement.

16. You or your Shop commit any violation of law, rule or regulation and/or engagement in any act or practice which subjects you and/or us to widespread publicity or ridicule.

17. You operate your business and/or your Shop in a fashion that, in our sole judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate this Agreement upon notice, but you agree that we may either beforehand or concurrently direct you to immediately close your Shop; you shall immediately comply with such direction (which may be given orally or in writing); and you shall hold us harmless from and against any claims whatsoever relating to our direction to close your Shop.

18. You make any use of our Confidential Information and/or Marks not specifically authorized by this Agreement or our Manual, or you directly or indirectly utilize or devote same for the benefit of any individual or entity other than your Shop.

19. You default under any agreement between you and any lessor or sublessor of your Shop Location and you do not cure the default within the period specified in the Location's lease or sublease (as applicable).

20. You engage in any act or conduct, or fail to engage in any act or conduct, which under this Agreement specifically authorizes us to terminate this Agreement immediately upon notice to you.

18.03 Termination by Us – 30 Days to Cure. Except as provided in Section 18.01 or 18.02 or in this Section 18.03, you will have 30 calendar days (10 days in the case of any default in the timely payment) after our written notice of default, to cure any default under this Agreement and to provide evidence of such cure to us. If such default is not cured within that time period, or such longer time period as applicable law may require or as Franchisor may specify in the notice of default, we shall have the right to terminate this Agreement effective immediately upon notice with no further opportunity to cure.

18.04 Description of Default. The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

18.05 Your Failure to Pay Constitutes Your Termination of This Agreement. Your failure to timely cure any breach of your obligation to make payments of Royalty Fees, Brand Fund Fees or any other monies due and owing to us or our affiliates under this Agreement, or to timely cure any other material breach of this Agreement committed by you, in either instance following our notice to you that you have committed a breach of this Agreement and granting you an opportunity to cure said breach, will be irrevocably deemed to constitute your unilateral rejection and termination of this Agreement and all related agreements between you and us or our affiliates, notwithstanding that a formal notice of such termination(s) ultimately issues from us, and you shall never contend or complain otherwise.

18.06 Cross Default. Any default or breach by you, your affiliates and/or any guarantor of yours of any other agreement between us or our affiliates and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us or our affiliates and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof.

18.07 Continuance of Business Relations. Any continuance of business relations between you and us after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, extension or continuation of this Agreement unless you and an authorized officer of ours agree in writing to any such renewal, extension or continuation.

18.08 Notice Required By Law. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the Parties to this Agreement limits our rights to terminate this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by such laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

18.09 Our Right to Discontinue Services to You. If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 18, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your "click through" subpage on our website, until such time as you correct the breach.

18.10 Our Right to Send Notifications of Termination. Before or on the expiration or termination of this Agreement, we may give notice to third parties that your Shop is leaving the System, and take any other action related to customers, suppliers and all other individuals or entities affected by such expiration or termination or which require or desire an identification of our Shipley Do-Nuts shops.

19. FURTHER OBLIGATIONS AND RIGHTS FOLLOWING THE TERMINATION OR EXPIRATION OF THIS AGREEMENT

19.01 Further Obligations and Rights Following The Termination or Expiration of this Agreement

If this Agreement expires or terminates for any reason or is assigned by you, you will cease to be an authorized Shipley Do-Nuts franchisee and you will lose all rights to the use of our Marks, the System, all Confidential Information and know-how owned by us and any goodwill (including "local" goodwill) engendered by the use of our Marks and/or attributed to your conduct of the Shop.

Upon expiration or earlier termination of this Agreement for whatever reason, you agree to:

1. Immediately pay all royalties, fees and other sums due and owing to us or our affiliates, plus interest, and all sums due and owing to any landlord, suppliers, employees, taxing authorities, advertising agencies, lenders and all other third parties.

2. Discontinue the use of the Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a Shop or any similar business. You may not use, in any manner or for any purpose, directly or indirectly, any of our Confidential Information, trade

secrets, procedures, forms, techniques, know-how or materials acquired by you by virtue of the relationship established by this Agreement. You may never identify yourself to the public in any fashion whatsoever as a current or former Shipley Do-Nuts franchisee.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the name "Shipley", "Shipley Do-Nuts", or any other Mark of ours, or any variant, within 15 days following termination or expiration of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf and at your expense, execute all documents necessary to cause discontinuance of your use of the name "Shipley", "Shipley Do-Nuts", or any related name used under this Agreement. You irrevocably appoint us as your attorney-in-fact to do so.

4. Upon any termination of this Agreement by us for cause, we will have the right immediately to enter and take possession of your Shop to maintain continuous operation of the previously franchised business, provide for orderly change of management and disposition of personal property, and otherwise protect our interests. If you dispute the validity of our termination of the franchise, we will nevertheless have the option (which you irrevocably grant) to operate the business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, we agree to make a full and complete accounting for the period during which we operated the previously franchised business.

5. In addition to the damages you owe us in Section 19.016 below, if we terminate this Agreement because of your default or you terminate same through failure to make payment following notice and opportunity to cure (pursuant to Section 18.03), you must pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) damage inuring to our Marks and reputation, travel and personnel costs and the cost of securing a new Shipley Do-Nuts shop at or proximate to the Shop Location. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the Shop at the time of termination and against any of your money which we are holding or which is otherwise in our possession.

6. In addition to the damages you owe us in Section 19.015 above, if we terminate this Agreement because of your default or you terminate same through failure to make payment following notice and opportunity to cure (pursuant to Section 18.03), you must pay us lost profit calculated through liquidated damages equal to the average value of the Royalty Fees and Brand Fund Fees you paid or owed (per month) to us during the 12 months before the termination multiplied by the number of months remaining during the term of this Agreement (the "**Liquidated Damages**"). The Parties acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees and Brand Fund Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees and Brand Fund Fees would have grown over what would have been this Agreement's remaining term. The Parties consider the Liquidated Damages to be a reasonable, good faith pre-estimate of those damages. The Liquidated Damages only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our

reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee and Brand Fund Fee sections. You and each of your owners agree that the Liquidated Damages do not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee and Brand Fund Fee sections. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the Shop at the time of termination and against any of your money which we are holding or which is otherwise in our possession.

7. Immediately deliver to us all training or other manuals furnished to you (including the Manual and supplements to the Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear our Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of ours, and any copies of them in your possession which relate to the operation of the Shop. You may retain no copy or record of any of these items, except for your copy of this Agreement, any correspondence between the Parties and any other documents which you reasonably need for compliance with any provision of law. You agree that the foregoing items, materials, lists, files, software and other similar items will be considered to be our property for all purposes.

8. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.

9. Cease using the telephone numbers listed in the Yellow Pages and White Pages of any telephone directories under the name "Shipley", "Shipley Do-Nuts", or any other confusingly similar name or, upon our written demand, direct the telephone company to transfer the telephone numbers listed for the Shop in the Yellow Pages and White Pages to us or to any other person and location that we direct. If you do not promptly direct the telephone company to do so, you irrevocably appoint us as your attorney-in-fact to direct the telephone company to do so.

10. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Article 13 of this Agreement (including those restricting your ability to sell, assign, lease or otherwise grant possessory rights to your Shop and/or Shop Location to a party intending to conduct a Competitive Business thereat).

11. Continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Article 13 of this Agreement.

12. Immediately refrain from engaging in any contacts with customers, suppliers, employees and vendors of the Shop.

13. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the Shop, printouts, and other information pertaining to computer operations, codes, procedures and programming. You agree not to destroy, damage, hide or take any steps to prevent us from obtaining any information which you had stored in the computer system of the Shop. You agree not to retain any printouts, disks, tapes or other electronic media containing any of the programs or data stored in the computer system.

14. At our option, assign to us any interest which you have in the Lease, sublease, right or entry or easement for the Shop Location, and vacate the Shop promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession.

15. Within 15 days from the date of termination or expiration of this Agreement, arrange with us for us to make an inventory, at our cost, of all of your personal property, fixtures, equipment, inventory and supplies and those of the Shop. We will have the option, to be exercised within 30 days after termination or expiration of this Agreement, to purchase from you any or all of these items at fair market value, meaning depreciated book value or actual fair market value, whichever is less. If you and we cannot agree on a fair market value within a reasonable time, we will designate an independent appraiser, whose determination will be binding. We and you will each pay 50% of the fee charged by the independent appraiser. If we elect to exercise any right and option to purchase provided in this subparagraph, we will have the right to set off all amounts due from you under this Agreement, and the cost of the appraisal, if any, against any payments for the assets.

16. If we elect not to assume possession of the Shop Location and/or elect not to exercise our option under Article 20 below, then promptly upon termination or expiration of this Agreement, you agree to "**deidentify**" the Shop Location in all respects by performing all redecoration and remodeling, and effecting physical changes to the Location and the Shop's vehicles, décor, trade dress, color combination, signs and other physical characteristics, as we consider necessary in our reasonable business judgment to distinguish the Location from a duly authorized Shop Location. If you refuse, neglect or fail to do so, we have the right to enter upon the Location and effect such required changes at your sole risk and expense, without liability for trespass.

19.02 No Prejudice. The expiration or termination of this Agreement will be without prejudice to our rights against you and will not relieve you of any of your obligations to us at the time of expiration or termination or terminate your obligations which by their nature survive the expiration or termination of this Agreement.

20. OUR OPTION UPON TERMINATION OR EXPIRATION

20.01 Option to Purchase Your Business's Assets

A. Upon the termination or expiration of this Agreement for any reason, we, any of our affiliates, and/or any nominee or designee we name are hereby granted an option, exercisable within 30 days after the termination becomes effective, to purchase as soon as practicable thereafter (including any period necessary for the obtaining of governmental approvals and consents of the concerned lessor[s]) all of your operating assets relating to the Shop. The date on which such purchase is closed will be referred to as the "**closing date**". The following terms and conditions will apply to the option granted by this Article 20:

1. All saleable or usable inventory will be purchased at your original cost, less the cost of shipping such inventory to us and less a 25% restocking fee. As used in this Agreement, the term "saleable or usable" is defined to mean all items of merchandise which have been paid for by you, belong to you and are in a condition proper for current use or sale, specifically excluding items which require reconditioning or reworking; items which are not useable or saleable through normal distribution channels; items which are in excess of normal requirements for a three month period; items which are out of code, damaged and/or deteriorated; and, consigned merchandise.

2. All land, facilities and vehicles owned by you (or any affiliate) and utilized by the Shop will be purchased for an amount equal to their appraised value as determined by an appraiser we select and you and we share the expense of. If you own the Shop Location, we may instead of purchasing the Shop Location require you to execute and deliver to us or our designee a lease for the Shop Location on commercially reasonable terms. If the Parties cannot agree on such terms within a reasonable time, we will designate an independent appraiser. The appraiser's determination will be binding, and you must execute and deliver to us a lease for the Shop Location on the terms determined by the appraiser to be commercially reasonable. We and you will each pay 50% of the fee charged by the independent appraiser. Upon your execution of the lease for the Shop Location, you agree to vacate the Shop Location promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession.

3. All leasehold improvements, furniture, fixtures, supplies, equipment and trade dress elements will be purchased for an amount equal to their depreciated book value.

4. All transferable permits, licenses and other governmental authorizations will be transferred or assigned to us, our affiliate, nominee or designee (as applicable) at the soonest possible time.

5. All printed material, forms and other materials purchased from us under this Agreement will be purchased for an amount equal to their cost (if any).

6. All property, real or personal, sold to us or our affiliate, nominee or designee (as applicable) under this Article 20 must be free and clear of all liens, debts, claims, liabilities, leases, encroachments, covenants, conditions, restrictions, rights, rights of way and/or other encumbrances (except for tax liens and special and/or other assessments not delinquent) unless we, in our reasonable opinion (or that of our affiliate, nominee or designee, as applicable), determine that the existence of same either will not interfere with the proposed use of the property or that the existence of same are merely due to easements of record, zoning ordinances or statutes, use and occupancy restrictions of public record or other limitations which are generally applicable to similar properties in close geographic proximity to the Shop Location.

B. You will convey to us (or our affiliate, nominee or designee, as applicable) good and merchantable, full, legal, equitable and beneficial title to all of the foregoing assets by means of appropriate deeds, bills of sale and assignments containing warranties of title. We (or our affiliate, nominee or designee, as applicable) will have the right at our option to assume any liabilities encumbering the assets sold under the provisions of this Article or any of the liabilities for which we would otherwise be indemnified by you pursuant to Article 10 of this Agreement, and reduce the consideration payable to you accordingly. You will pay all transfer taxes and recording fees, if any.

C. All rents, interest, assessments, taxes and other charges or royalties related to the assets to be conveyed, the payment period of which began before the Closing Date, will be prorated to the Closing Date on the basis of the most recent rates available, and the prorated amount added to or subtracted from, as the case may be, the consideration payable to you.

D. You agree to use your best efforts to assist us (or our affiliate, nominee or designee, as applicable) in obtaining any government or other approvals or consents necessary to carry out the terms and intent of this Article 20.

21. DISPUTE RESOLUTION

21.01 Mediation. Before you may bring an action against us or our affiliates, you must first mediate the dispute with us. Any such mediation will be non-binding and will be conducted in accordance with then-current rules for mediation of commercial disputes under the American Arbitration Association. All mediation proceedings will be conducted at a suitable location chosen by the mediator within a 15-mile radius of our then-current principal place of business unless we agree otherwise in writing. Mediation hereunder will be concluded within 45 days of our receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the Parties in writing. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever. You and we will each bear our own costs of mediation, and each will bear ½ the cost of the mediator or mediation service. This Section mandating non-binding mediation will not be mandatory before we institute an action against you; it is only a mandatory pre-requisite before you institute an action against us or our affiliates.

21.02 Governing Law. This Agreement; all relations between the Parties; and any and all disputes between the Parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state of where our principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If we move our principal headquarters to another state, we reserve the right to designate that state's law as governing, again without recourse to that successor state's (or any other) choice of law or conflicts of law principles, upon written notice to you. If, however, any provision of this Agreement is unenforceable under the laws of the state where our principal headquarters is then-located (or a successor state we designate as provided above), and if your Shops are located outside of that state and the provision would be enforceable under the laws of the state in which your Shops are located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of any state, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

21.03 Venue. Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the Parties (as defined below); and, any and all disputes between the Parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment exclusively in a state or federal district court of competent jurisdiction in the city and state where our principal headquarters are then-located. You hereby irrevocably submit yourself to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You agree that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your Shop Location, we may bring such an action in any state or federal district court which has jurisdiction. You hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "Parties" includes you; your guarantor(s); if you are a business entity, your owners, officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by you; and, any affiliate of each of the foregoing.

21.04 Injunction. You explicitly affirm and recognize the unique value and secondary meaning attached to the System and the Marks. Accordingly, you agree that any noncompliance by you with the terms of this Agreement, or any unauthorized or improper use of the System or the Marks by you, will cause irreparable damage to us and other System franchisees. You therefore agree that if you engage in this non-compliance,

or unauthorized and/or improper use of the System or Marks, during or after the period of this Agreement, we will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions. You will be responsible for payment of all costs and expenses, including, reasonable attorneys' fees, which we and/or our affiliates may incur in connection with your non-compliance with this covenant.

21.05 Costs of Enforcement. If any party hereto commences or joins in (and, if applicable, appeals from) any legal action or proceeding against the other for the purpose of enforcing, or preventing the breach of, any provision of this Agreement; or for damages for any alleged or actual breach of any provision of this Agreement; or for a declaration of such party's rights or obligations hereunder; or to address or resolve any other dispute between the parties of any nature whatsoever which dispute directly or indirectly arises from or relates to this Agreement and/or the relationship between the parties created hereby, then the ultimately prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection with such legal action or proceeding (including, if applicable, any appeal thereof), including reasonable attorneys' fees, experts' fees, court costs and all other expenses sustained by the prevailing party. For the avoidance of doubt, you will be required to reimburse us for any attorneys' fees and costs that we incur, in connection with revising this Agreement or any other agreements between us, as a result of inaccurate/misrepresented information provided to us by you.

21.06 Attorneys' Fees – Third Party Actions. If we become a party to any action or proceeding commenced or instituted against us by a third party arising out of or relating to this Agreement, any and all related agreements, your Shop as a result of any claimed or actual act, error or omission of yours (and/or any of your officers, directors, shareholders, management, employees, contractors and/or representatives) or the Shop; by virtue of statutory, "vicarious", "principal/agent" or other liabilities asserted against or imposed on us as a result of our status as Franchisor; or if we become a party to any litigation or any insolvency proceeding involving you pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then you will be liable to, and must promptly reimburse us for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, we will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to our proof of claim in any insolvency or bankruptcy proceeding you file.

21.07 Waiver of Jury Trial, Class Actions and Punitive Damages

A. Waiver of Jury Trial. YOU HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES FROM US.

B. Waiver of Class Actions. You may only pursue any claim you have against us or the other Indemnitees in an individual legal action or proceeding. Neither you nor any of your officers, directors, members, owners, shareholders, management, employees, contractors and/or representatives (the "Franchisee Party(ies)") shall join or combine its/their legal action or proceeding in any manner with any action or claim of any other Shipley Do-Nuts franchisee, franchise owner, franchisee guarantor, or other claimant, nor will you or any other Franchisee Party maintain any action or proceeding against us and the other Indemnitees in a class action, whether as a representative or as a member of a class or purported class, nor will you or any other Franchisee Party seek to consolidate, or consent to the consolidation of, all or part of any action or proceeding by any of them against us or the other Franchisor Parties with any other litigation against us or such other Indemnitee.

C. Waiver of Punitive Damages. You, your guarantors and your other Parties (as defined in Section 21.03) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the Parties and/or any of their affiliates, and you and such others covenant never to advance or pursue any such claim for punitive damages. You and such others agree that in the event of a dispute, you and such others shall be limited to the recovery from us of any actual damages sustained by you or them.

21.08 Waiver and Delay. No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of such breach or any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by you under this Agreement will not be, nor constitute, a waiver of any breach of any term, covenant or condition of this Agreement.

21.09 Notice of Our Alleged Breach; Limitations Period. You agree to give us immediate written notice of any alleged breach or violation of this Agreement after you have constructive or actual knowledge of, believe, determine or are of the opinion that there has been an alleged breach of this Agreement by us, including any acts of misfeasance or nonfeasance. If you do not give written notice to us of any alleged breach of this Agreement within 1 year from the date that you have knowledge of, believe, determine or are of the opinion that there has been an alleged breach by us, then our alleged breach will be considered to be condoned, approved and waived by you and will not be considered to be a breach of this Agreement by us, and you will be permanently barred from commencing any action against us for the alleged breach or violation. In addition, any and all claims brought by you arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the Parties, shall be barred unless you commence a judicial proceeding against us within 1 year from the date you knew or should have known of the facts giving rise to such claim.

21.10 Our Right To Cure Defaults. In addition to all other remedies granted pursuant to this Agreement, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement, then we may, at our election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to you, cure the default on your behalf. Our cost of curing the default and all related expenses will be due and payable by you immediately upon demand.

21.11 Our Withholding of Consent – Your Exclusive Remedy. In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

22. MISCELLANEOUS

22.01 Unavoidable Delay or Failure to Perform (Force Majeure). Any delay in our or your performance of any duties under this Agreement, or any non-performance of such duties, that is not your or our fault (as applicable) or within your or our reasonable control – including, but not limited to, fire; floods, natural disasters; Acts of God; war; civil commotion; terrorist acts; any governmental act or regulation; any delays or defaults in deliveries by common carriers and/or postal services and/or overnight couriers; computer network outages; late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors; strikes; lockouts; and any other similar event beyond such party's control) will not constitute a breach or cause a default under this Agreement, provided, however, that we or you (as applicable) will take all steps reasonably possible to mitigate damages caused by such failure or delay. Notwithstanding the foregoing, if any such failure or delay continues for more than 180 days, we will have the right at any time

thereafter during the continuance of such failure or delay to terminate this Agreement upon 30 days advance written notice to you.

22.02 Integration of Agreement. This Agreement, all exhibits to this Agreement, and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the Parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. You acknowledge that you are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of your own independent investigation of the Shop and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees which are contrary to the terms set forth in this Agreement or any franchise disclosure document required or permitted to be given to you pursuant to applicable law. You specifically acknowledge that the only financial performance information we furnish is set forth in Item 19 of our franchise disclosure document; that no officer, director, employee, agent, representative or independent contractor of ours is authorized to furnish you with any other financial performance information; that, if they nevertheless do, you will not rely on any such financial performance information given to you by any such individual; and, that if any such individual attempts to or actually does give you any such financial performance information in contravention of this provision, you will immediately communicate such activity to us. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range of historic or prospective sales, expenses and/or profits of franchised or non-franchised Shipley Do-Nuts shops.

22.03 No Oral Modification. This Agreement may not be amended orally but may be amended only by a written instrument signed by the Parties. You expressly acknowledge that no oral promises were made to you (or, if they were, that you are not relying and will not rely on any such oral promise) and that our obligations are confined exclusively to those set forth in this Agreement. Nothing in the preceding sentence, however, is intended to disclaim the representations we made in the franchise disclosure document that we provided to you. You understand and assume the business risks inherent in this enterprise.

22.04 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 other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement

22.05 Notices. Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally, by certified mail (return receipt requested, postage prepaid), or by documented overnight delivery with a reputable carrier; and will be effective on the date that delivery is documented to have been first attempted. Any notice to us will be addressed to us at 55 Waugh Dr., Suite 1200, Houston, Texas 77007, Attn: Legal Department, with copy to: Akerman LLP, 1251 Avenue of the Americas, 37th Floor, New York, New York 10020, Attention: Dale A. Cohen, Esq. Any notice to you will be addressed to you at your address set forth in the preamble of this Agreement. Either party to this Agreement may, in writing, on 10 days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

22.06 Execution, Construction and Interpretation; Further Acts

A. This Agreement may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one and the same instrument. Electronic and facsimile signatures will be considered as binding and conclusive as if original, provided, however, that any party so executing must use all commercially reasonable efforts to furnish to the other party(ies) the originally executed document(s) at the earliest opportunity.

B. The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against us or you.

C. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

D. The Parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

E. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us under this Agreement are joint and several.

F. As used in this Agreement, the words "include", "includes", or "including" are used in a non-exclusive sense and shall be construed to mean "including without limitation".

22.07 Severability. Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future law, rule or regulation which by its terms is applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, that provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect, unless said provision pertains to the payment of monies due to us or our affiliates under this Agreement of any type or nature whatsoever, in which case we may at our option terminate this Agreement. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement (but not any of its payment provisions) and the Parties agree to be bound by and perform this Agreement as so modified.

22.08 Liability of "Franchisee". The terms "Franchisee" and "you" as used in this Agreement will refer to each person executing this Agreement as Franchisee, whether that person is one of the spouses, partners, proprietors, shareholders, trustees, trustors or beneficiaries or persons named as included in you and will apply to each of these persons as if he/she were the only named Franchisee in this Agreement. If you are a married couple, both husband and wife executing this Agreement will be liable for all your obligations and duties as Franchisee under this Agreement as if the spouse were the sole Franchisee under this Agreement. If you are a partnership or proprietorship, or if more than one person executes this Agreement as Franchisee, each partner, proprietor or person executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement. If you are a trust, each trustee, grantor and beneficiary signing this Agreement will be liable for all the obligations and duties of Franchisee under this Agreement. If you are a business entity, all owners of such entity executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement as if each such owner or the sole franchisee under this Agreement.

22.09 Guarantee. If you are an entity, the following persons must, concurrently with the execution of this Agreement (or at such later time as they assume any status specified herein), execute our standard form Guarantee (Exhibit E), pursuant to which these individuals guarantee all your obligations and duties: (i) if you are a corporation or limited liability company, all shareholders or members (as applicable) of your issued and outstanding stock or membership interests (as applicable) at the same time as the execution of this Agreement or at such later time as they assume such status; (ii) if you are a partnership, all general partners (at the same time as the execution of this Agreement or at such later time as they assume such status); and, (iii) if you are a limited partnership, the general partner and all shareholders. If you are in breach or default under this Agreement, we may proceed directly against each such guaranteeing individual and/or entity

without first proceeding against you and without proceeding against or naming in the suit any other such guaranteeing individuals and/or entities. Your obligations and those of each such guaranteeing individual and/or entity will be joint and several. Notice to or demand upon one such guaranteeing individual and/or entity will be considered notice to or demand upon you and all such guaranteeing individuals and/or entities, and no notice or demand need be made to or upon all such guaranteeing individuals and/or entities. The cessation of or release from liability of you or any such guaranteeing individual and/or entity will not relieve you or any other guaranteeing individual and/or entity, as applicable, from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

22.10 Survival. Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the Parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns.

22.11 Our Business Judgment. Whenever this Agreement or any related agreement grants, confers or reserves to us the right to take action, refrain from taking action, grant or withhold our consent or grant or withhold our approval, unless the provision specifically states otherwise, we will have the right to engage in such activity at our option taking into consideration our assessment of the long-term interests of the System overall. You and we recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by our business judgment, neither said court, said judge nor any other person reviewing those activities or decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable.

23. YOUR REPRESENTATIONS AND ACKNOWLEDGEMENTS

23.01 Your Representations

You represent and warrant to us, with the intention that we are relying on your representations and warranties in entering into this Agreement, that:

1. If you are a business entity (including a corporation, limited liability company, general partnership or limited partnership), you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and your business entity is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over your Shop.

2. If you are business entity, you have all requisite power and authority to execute, deliver, consummate and perform this Agreement, and all necessary business entity proceedings have been duly taken to authorize the execution, delivery and performance of this Agreement.

3. This Agreement has been duly authorized, executed and delivered by you, includes your legal, valid and binding obligations, and will be binding and enforceable upon you and your successors and assigns in accordance with its terms when executed by both Parties.

4. You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements which you furnished to us before the execution of this Agreement.

5. As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners, members, managers, guarantors, shareholders, or any other owner or a direct or indirect, partial or whole interest in you (as applicable), after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or, which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

6. All information set forth in all applications, financial statements, corporate and ownership documents and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information.

7. Attached hereto as Exhibit "F" is a Acknowledgment Addendum. You shall have received and answer the questions thereon, relating to representations that have or have not been made to you. You have executed the Acknowledgment Addendum voluntarily and attached it hereto.

8. All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

23.02 Your Acknowledgements

You represent, warrant and acknowledge to us, with the intention that we will be relying thereon in entering into this Agreement, that:

1. No representation has been made by us or our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) and relied on by you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Business, or any other Shop or Business. We make no guaranties, promises, representations, statements or warranties that you can or will achieve any level or range of sales, income or other measures of performance. You understand that this is a new business venture, and neither we, nor any of our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) or representatives make any assurances as to your success. You acknowledge and agree that neither we, nor any of our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) or representatives have provided you with any information not already set forth in Item 19 of our franchise disclosure document; you have not received any such information; and, we or any of the foregoing made any representations, statements or promises to you which conflict with, contravene or vary from the contents of our franchise disclosure document.

2. No representation or statement has been made by us or our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) and relied on by you regarding our anticipated income, earnings and growth or that of the

System, or the viability of the business opportunity being offered under this Agreement.

3. Before executing this Agreement, you have had the opportunity to contact all our existing franchisees.

4. You have been advised and given the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, the terms and provisions of this Agreement and the prospects for the Business, using the services of legal counsel, accountants or other advisers of your own choosing. You have either consulted with these advisors or have deliberately declined to do so.

5. You have received from us a copy of our franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise, at least 14 calendar days before the execution of this Agreement or at least fourteen calendar days before the payment by you to us of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

6. No representation or statement has been made by us, our affiliates (or any of our employees, agents or salespersons) or our or their representatives and relied on by you regarding your ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by this Agreement.

7. You have carefully considered the nature and extent of the restrictions upon you set forth in this Agreement (including, without limitation, the covenants not to compete and the restrictions on assignment) and the rights and remedies conferred upon you and us under this Agreement. Such restrictions, rights and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to us; (c) are fully required to protect our legitimate business interests; and (d) do not confer benefits upon us that are disproportionate to your detriment.

8. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors.

9. You understand and agree that we may manage and change the System and our business in any manner that is not expressly prohibited by this Agreement. Whenever we have the right within this Agreement to take or withhold action or to grant or decline to you the right to take or withhold action, we may make such a decision on the basis of our business judgment of what is in our best interests and those of the System and the franchise network, without regard to whether other reasonable alternative decisions exist or whether our decision adversely affects you. Absent applicable statute, we shall have no liability for such a decision, and you agree that our decision will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, you agree that such a covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

10. Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of the franchised Shop and Business, you retain the right and sole responsibility for the day-to-day management and operation of the Shop and Business and the implementation and maintenance of System standards at the Shop.

11. You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

12. You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

13. You acknowledge and agree that any advice we furnish regarding site selection and our proposal, inspection and/or approval of any proposed site for your Shop location will not constitute, and will not be deemed to constitute, our express or implied representation, warranty, guarantee or any other indication of the prospective profitability, viability or merit of the location, and you hereby forever waive any claim to the contrary.

24. SUBMISSION OF AGREEMENT

24.01 Submission of Agreement

Our tendering this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you. The date that we execute this Agreement, referred to in this Agreement as the "Effective Date", will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

YOU ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO YOU OTHER THAN THOSE SET FORTH IN OUR FRANCHISE DISCLOSURE DOCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO YOU, YOU ARE NOT RELYING ON THEM.

YOU HAVE READ ALL OF THE FOREGOING AGREEMENT AND ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

SHIPLEY FRANCHISE COMPANY LLC

By: _____

Print Name: _____

Date: _____

FRANCHISEE:

_____

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A
SHOP LOCATION AND TERRITORY

1. **Shop Location.** The following describes the Shop Location of your Shipley Do-Nuts Shop:

_____

_____

THIS EXHIBIT "A" IS AGREED AND APPROVED BY:

FRANCHISOR:	**FRANCHISEE:**
SHIPLEY FRANCHISE COMPANY LLC	_____
By: _____	By: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

EXHIBIT B
REQUIRED PROVISIONS FOR LEASE RIDER

Landlord: _____
Notice Address: _____
_____
_____
Telephone: _____

Franchisor: Shipley Franchise Company LLC
Notice Address: 55 Waugh Drive, Suite 1200,
Houston, TX 77007
Telephone: (713) 869-4636

Tenant: _____

Leased Premises: _____

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Shipley Do-Nuts franchised business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default ("**Default**") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 15 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then Landlord hereby agrees that upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Shipley Do-Nuts brand. Any provision of the Lease which limits Tenant's right to own or operate other Shipley Do-Nuts businesses in proximity to the Leased Premises shall not apply to Franchisor.

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

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. Landlord and Tenant acknowledge and agree that Franchisor is a third party beneficiary of the Lease but does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

_____

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

TENANT:

_____

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

EXHIBIT C
CONFIDENTIALITY/NON-COMPETITION AGREEMENT

NAME: _____
FRANCHISEE: _____
HOME ADDRESS: _____
_____
HOME TELEPHONE: _____
CLASSIFICATION: **(Owner, Shareholder, Officer, Director, Attorney, Employee, Etc.)**

_____ ("Franchisee") is a franchisee of Shipley Franchise Company LLC ("Franchisor") pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated _____, 20__, (the "Franchise Agreement"). I agree that, unless otherwise specified, all terms in this Confidentiality/Non-Competition Agreement ("Agreement") have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge, trade secrets or know-how concerning the systems of operation, programs, services, products, equipment and materials, methods, techniques, formulas, contracts, customer lists, customer information, suppliers, supplier lists, pricing, marketing, computer programs, products, skills, performance specifications, technical and financial information and results, manuals, computer files, databases, software, training and instruction programs and materials of Franchisee and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Franchisee and/or Franchisor.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all elements of the System and all programs, products, services, equipment, technologies, policies, standards, requirements, criteria, and procedures that now or in the future are part of the System; Franchisor's manuals (as same may be amended from time to time); supplements and/or amendments to the manuals; records pertaining to customers or billings; methods of advertising and promotion; customers; instructional materials; staff composition and organization systems; supervision systems; recommended services; recordkeeping systems and materials; bookkeeping systems and materials; business forms; product and service order forms; general operations materials; revenue reports; standards of interior and exterior design and decor; activity schedules; job descriptions; advertising, promotional and public relations materials/campaigns/guidelines/philosophy; all specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the System; additions to, deletions from, and modifications and variations of the components constituting the System or the systems and methods of operations which are now, or may in the future, be employed by Franchisor, including all standards and specifications relating

thereto and the means and manner of offering and selling same; and, all other components, specifications, standards, requirements and duties imposed by Franchisor or its affiliates.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make the them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the Franchise Agreement contemplates will be engaged in by Franchisee; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of two years immediately following the expiration or termination of my employment/service/association/ownership participation, I am prohibited from engaging in any Competitive Business, if the other business is located at the Shop location or within (a) the Territory, (b) within 10 miles of the perimeter of the Territory or (c) within 10 miles of the perimeter, or within, the territory or market area (as applicable) of any other franchised or company-owned Shipley Do-Nuts shop (regardless of how established or operated).

In addition, of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following my expiration or termination for any reason, whether for any reason or no reason, voluntary or involuntary, or for cause or without cause, I will not, directly or indirectly, solicit or accept any business from, and will not directly or indirectly contact any existing customers or identified prospective customers with whom Franchisee or its employees or other agents have had direct or indirect contact or about whom Franchisee or its employees or other agents have learned Confidential Information by virtue of the operation of the Shipley Do-Nuts Shop for any other business.

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is registered under the Securities Act of 1933, and so long as I or Franchisee do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or termination of my term of employment/service/association, I will immediately refrain from any and all contacts with customers, for any purpose whatsoever.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Franchisee for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Franchisee (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of such state, and if the Shipley Do-Nuts Shop is located outside of such state and the provision would be enforceable under the laws of the state in which the Shipley Do-Nuts Shop is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law of the state of where Franchisor's principal headquarters is then-located or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located.

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

_____
(Print Name)

_____
(Signature)

_____
(Date)

EXHIBIT D
STATEMENT OF OWNERSHIP

1. Business Entity. Franchisee, _____, was incorporated or formed on _____, 20__, under the laws of the State of _____. Franchisee has not conducted business under any name other than your corporate, limited liability company or partnership name. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

Name of Person	Position(s) Held
_____	_____
_____	_____
_____	_____
_____	_____

2. Ownership. The following is a list of all shareholders, partners, owners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name of Person	Percentage of Ownership/ Nature of Ownership
_____	_____
_____	_____
_____	_____
_____	_____

This Statement of Ownership is current and complete as of _____, 20 __.

FRANCHISEE:

_____

By: _____

Print Name: _____

Date: _____

EXHIBIT E
GUARANTEE OF FRANCHISE AGREEMENT

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated _____, 20__, between Shipley Franchise Company LLC ("Franchisor") and _____ ("Franchisee") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Franchise Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Franchise Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to

or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of such state, and if the Shipley Do-Nuts Shop under the Franchise Agreement is located outside of such state and the provision would be enforceable under the laws of the state in which the Shipley Do-Nuts Shop is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant”, unfair competition, fiduciary or any other doctrine of law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located. The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

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

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

_____
Signature

_____
Printed Name

_____
Address

EXHIBIT F
ACKNOWLEDGEMENT ADDENDUM

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin franchisees should not complete this Acknowledgment Addendum. If a franchisee in one of these states does so, we will disregard and not rely on the Acknowledgment Addendum. **Do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.**

As you know, you and we intend to enter into a Franchise Agreement for the operation of a Shipley Do-Nuts Shop. This Acknowledgment Addendum must be completed prior to the final execution of a Franchise Agreement. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand certain terms, conditions, and restrictions associated with the offer and sale of the franchise and the operation of a Shipley Do-Nuts Shop. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you or a representative receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing this Acknowledgment Addendum and Franchise Agreement? Check one: (__) Yes or (__) No. If no, please comment: _____

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one: (__) Yes or (__) No. If no, please comment: _____

3. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one: (__) Yes or (__) No. If no, please comment: _____

4. Was any oral, written or visual claim or representation made to you that contradicted the disclosures in the Disclosure Document or Franchise Agreement? Check one: (__) Yes or (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____

5. Did any employee or other person speaking on behalf of Shipley Do-Nuts Franchise Company LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any Shipley Do-Nuts franchise location or business, or the likelihood of success at your franchised business? Check one: (__) Yes or (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Did any employee or other person speaking on behalf of Shipley Do-Nuts Franchise Company LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document. Check one: (__) Yes or (__) No. If yes, please comment: _____

7. Do you understand that that the franchise granted is for the right to develop and operate a Shipley Do-Nuts Shop within the Territory, as stated in Franchise Agreement, we and our affiliates have the right, regardless of the proximity to your Shipley Do-Nuts Shop, to: (i) own, operate or authorize others to own or operate any type of business whatsoever so long as such other business does not sell under identical Marks the identical type of programs, products or services which your Shipley Do-Nuts Shop will offer and sell; (ii) offer and sell under the Marks any and all programs, products or services at wholesale or retail, through any alternative methods of distribution, or through any alternative channels of distribution; (iii) develop, open and operate, and grant third parties the right to develop, open and operate, Shipley Do-Nuts Shops located in non-traditional locations; (iv) open Shipley Do-Nuts Shops at and sell System programs, products and services to, national, regional and institutional accounts; (v) sell and distribute products identified by the Marks in restaurants and food services establishments other than donut shops identified by the Marks, or award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those food service establishments and facilities are not licensed to use the Marks in connection with their retail sales; (vi) develop or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and (vii) purchase, merge, acquire, be acquired by, or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business's facilities and then operating, franchising or licensing those other businesses or facilities under any names or marks, including the Marks. Check one: (__) Yes or (__) No. If no, please comment: _____.

8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise, meaning that any prior oral or written statements not set out in the Disclosure Document or Franchise Agreement will not be binding? Check one: (__) Yes or (__) No. If no, please comment: _____

9. Do you understand that the success or failure of your Shipley Do-Nuts Shop will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the “Shipley Do-Nuts” trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Shipley Do-Nuts Shop may change? Check one (__) Yes (__) No. If no, please comment: _____

10. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Franchise Agreement Section 13.02 and that an injunction is an appropriate remedy to protect the interests of the Shipley Do-Nuts System if you violate the covenant(s)? Further, do you understand that the term "you" for purposes of the non-compete covenants is defined broadly in Franchise Agreement, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Check one (__) Yes or (__) No. If no, please comment: _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

APPROVED ON BEHALF OF
SHIPLEY FRANCHISE COMPANY LLC

_____

By: _____

Title: _____

Date: _____

*****Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

EXHIBIT G
ELECTRONIC FUNDS TRANSFER FORM

AUTHORIZATION TO HONOR CHARGES
DRAWN BY AND PAYABLE TO
SHIPLEY FRANCHISE COMPANY LLC
("COMPANY")

Depositor/Franchisee hereby authorizes and requests _____ (the "Bank" or "Depository") to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of Shipley Franchise Company LLC by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:_____

City:_____ State:_____ Zip Code:_____

Transit/ABA/Routing Number:_____ Account Number:_____

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor/Franchisee: (Please Print)

_____

_____

_____
Date Signed

_____

_____
Signature(s) of Depositor, as Printed Above

EXHIBIT H
STATE ADDENDA TO FRANCHISE AGREEMENT

FRANCHISE AGREEMENT ADDENDUM FOR CALIFORNIA

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of California.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

4. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law are met independently of this Addendum.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR ILLINOIS

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of Illinois.

2. The following sentence is added to the end of Section 4 and Section 18:

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. The following sentence is added to the end of Section 21.02:

Notwithstanding the foregoing, Illinois law will govern this Agreement.

4. The following sentence is added to the end of Section 21.03:

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; however, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. The following sentence is added to the end of Section 21.09:

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. The following sentence is added to the end of Section 21.08:

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum.

9. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR INDIANA

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to you was made in the State of Indiana; (b) you are a resident of the State of Indiana; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of Indiana.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR MARYLAND

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Section 5.01:

Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until Franchisor completes its pre-opening obligations under this Agreement.

3. The following sentence is added to the end of Section 16.03:

Any provision requiring you to sign a general release of claims against us does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 21.03:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following sentence is added to the end of Section 21.09:

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

6. The following sentences are deleted from Section 22.02.

You acknowledge that you are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of your own independent investigation of the Shop and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees which are contrary to the terms set forth in this Agreement or any franchise disclosure document required or permitted to be given to you pursuant to applicable law. You specifically acknowledge that the only financial performance information we furnish is set forth in Item 19 of our franchise disclosure document; that no officer, director, employee, agent, representative or independent contractor of ours is authorized to furnish you with any other financial performance information; that, if they nevertheless do, you will not rely on any such financial performance information given to you by any such individual; and, that if any such individual attempts to or actually does give you any such financial performance information in contravention of this provision, you will immediately communicate such activity to us.

7. The second and fourth sentences are deleted from Section 22.03:

8. Sections 23.02(1)–(4), (6) and (12) are deleted from the Franchise Agreement

9. The following paragraph is added as Section 23.03

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 will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

10. The following is deleted from Section 24.01:

YOU ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO YOU OTHER THAN THOSE SET FORTH IN OUR FRANCHISE DISCLOSURE OCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO YOU, YOU ARE NOT RELYING ON THEM.

YOU HAVE READ ALL OF THE FOREGOING AGREEMENT AND ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

11. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

13. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this Addendum.

14. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR MICHIGAN

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to you was made in the State of Michigan; (b) you are a resident of the State of Michigan; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of Michigan.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR MINNESOTA

This Addendum to the Franchise Agreement dated as of _____ ("Franchise Agreement") between Shipley Franchise Company LLC ("Franchisor," "you" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the State of Minnesota; and/or (c) the Shipley Do-Nut Shop will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section 5.01:

The franchisor is required to defer the collection of initial fees until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business.

3. The following sentence is added to the end of Sections 16.03:

Notwithstanding the foregoing, you 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. The following sentence is added to the end of Section 14.07:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

5. The following sentence is added to the end of Section 18:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of franchise agreements.

6. The following sentences are added to the end of Section 21.03:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The following sentence is added to the end of Section 21.09:

Minnesota Statute § 80C.17, Subdivision 5, provides that no action may be commenced pursuant to that Section more than three years after the cause of action accrues.

8. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Act and the Rules and Regulation promulgated thereunder are met independently of this Addendum.

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

11. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR NEW YORK

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of New York.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

4. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently of this Addendum.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR NORTH DAKOTA

This Addendum to the Franchise Agreement dated as of _____ ("Franchise Agreement") between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the State of North Dakota.

2. The following sentence is added to Section 21.09:

> Notwithstanding anything in the foregoing to the contrary, any legal action or proceeding (including a proceeding related to 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 the applicable statute of limitations under North Dakota law.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

10. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

11. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

[Signature Page Follows]

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISOR:
SHIPLEY FRANCHISE COMPANY LLC

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR RHODE ISLAND

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your"") is entered into simultaneously with the execution of the Franchise Agreement.

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 the 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 Shipley Do-Nuts Shop will be located or operated in the State of Rhode Island.

2. The following language is added to Section 21.03:

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. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently of this Addendum.

6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR SOUTH DAKOTA

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because the franchise was "offered or sold" (as defined in the South Dakota Franchise Investment Act ("Act")) in South Dakota.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

5. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act are met independently of this Addendum. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR VIRGINIA

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

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 the franchise to Franchisee was made in the Commonwealth of Virginia; (b) Franchisee is a resident of the Commonwealth of Virginia; and/or (c) the Shipley Do-Nuts Shop will be located or operated in the Commonwealth of Virginia.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

4. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently of this Addendum.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

FRANCHISE AGREEMENT ADDENDUM FOR WISCONSIN

This Addendum to the Franchise Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Franchisee," "you" or "your") is entered into simultaneously with the execution of the Franchise Agreement.

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

> For all franchises sold in the State of Wisconsin, Franchsior will provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of Wisconsin law, with respect to each such provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

[Signature Page Follows]

FRANCHISEE:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

EXHIBIT B

MULTI-SHOP DEVELOPMENT AGREEMENT

SHIPLEY FRANCHISE COMPANY LLC

MULTI-SHOP DEVELOPMENT AGREEMENT

DEVELOPER

DATE OF AGREEMENT

INTERNAL AGREEMENT NUMBER

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SHIPLEY FRANCHISE COMPANY LLC
MULTI-SHOP DEVELOPMENT AGREEMENT

THIS MULTI-SHOP DEVELOPMENT AGREEMENT is entered into on _____(the "**Effective Date**"), by and between SHIPLEY FRANCHISE COMPANY LLC, a Delaware limited liability company with a principal address of 55 Waugh Dr., Suite 1200, Houston, Texas 77007 ("**we**", **us**," "**our**," or "**Franchisor**"), and _____, a _____with a principal address of ("**you**," "**your**" or "**Developer**"), who in consideration of the mutual promises set forth below, agree as follows:

1. Nature and Scope of Agreement

1.1 ***The Franchisor***. We and our "**Affiliates**" (meaning, individually or collectively, any and all entities controlling, controlled by, or under common ownership with us) have developed a proprietary system (the "**System**") for opening and operating Shipley Do-Nuts shops (each, a "**Shop**"), which are retail shops specializing in the offer and sale of Shipley Do-Nuts, Shipley Kolaches, Shipley Coffee, Shipley Specialty Drinks and related products and services. The System makes use of the trademark, service mark and fictitious business name "Shipley" and "Shipley Do-Nuts" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and intellectual property (collectively, the "**Marks**"), which we designate as licensed to you.

1.2 ***The Developer***. You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. "You" shall be deemed to include: those persons owning any interest in you if you are a corporation or a limited liability company; all partners owning any partnership interest in you if you are a partnership; the individual who owns you if you are a sole proprietorship; the guarantors of this Agreement. If you are an individual, then you must serve as Operating Principal and if you are a partnership comprised of multiple individuals and/or a business entity, then you must designate an individual who owns an interest in the you and Shipley development business to serve as serve as Operating Principal. The "**Operating Principal**" must have complete decision making authority with regard to your business and authority to in all respects act on your behalf, will be the sole individual with whom we will be required to communicate when we seek to communicate with you. You must inform us in writing of your Operating Principal and any replacement Operating Principal in advance. We must approve your Operating Principal before you appoint them.

1.3 ***This Agreement***. You desire to obtain and, pursuant to the terms and conditions of this Agreement, we have agreed to grant you the right to develop a designated number of Shops under the Marks and the System within a designated geographical area (the "**Development Area**") and pursuant to a designated development schedule (the "**Development Schedule**").

2. Development Rights and Obligations and Development Schedule. Subject to the terms and conditions set forth in this Agreement, we grant you the right, and you undertake the obligation, to develop and establish the specified number of Shops set forth on Exhibit A hereto within the Development Area set forth on Exhibit B hereto and pursuant to your strict accordance with the Development Schedule set forth on Exhibit A hereto. Each Shop you develop pursuant to this Agreement must be operated pursuant to the terms of separate franchise agreements (referred to individually as a "**Franchise Agreement**" and collectively as the "**Franchise Agreements**") to be executed between you and us, as provided in Section 4 hereof.

3. Development Fee. In consideration of the development rights granted herein, you shall pay to us concurrently with the execution of this Agreement a development fee in the amount set forth on Exhibit A hereto ("**Development Fee**"). You recognize that we have incurred administrative and other expenses in relation to this Agreement, and that our development opportunities have been lost or curtailed as a result of the development rights granted to you herein. Therefore, the Development Fee is due in one lump sum upon execution of this Agreement, is fully earned when paid, and will not be refunded, in whole or in part, under any circumstance. The Development Fee is calculated as (a) 100% of the Initial Franchise Fee (i.e., $40,000) for the first Shop to be developed under the Development Schedule plus (b) $10,000 multiplied by the remaining number of Shops to be developed under the Development Schedule. By way of example only, if we grant you the right to develop three (3) Shops pursuant to this Agreement, you will be required to pay us a Development Fee equal to $60,000 (i.e., $40,000 + [$10,000 x 2]), and if we grant you the right to develop five (5) Shops pursuant to this Agreement, you will be required to pay us a Development Fee equal to $80,000 (i.e., $40,000 + [$10,000 x 4]).

4. Franchise Agreements. Contemporaneous with the execution of this Agreement, you must enter into our current form of Franchise Agreement for the first Shop to be developed under the Development Schedule. Thereafter, for each additional Shop that is developed pursuant to this Agreement you must (a) enter into our then-current form of Franchise Agreement for each such Shop by the execution deadline set forth on Exhibit A (the "**Execution Deadline**") and (b) pay the Initial Franchise Fee for each such Shop by the Execution Deadline ($10,000 of which shall be applied from the Development Fee for the second and subsequent Franchise Agreements until the Development Fee is exhausted). In addition, you must obtain our prior written approval for a site for each Shop, sign a lease we approve in writing for each Shop, and open for regular day to day business and commence operations of each Shop, by each of the respective deadlines set forth on Exhibit A (collectively, with the Execution Deadline, the "**Development Deadlines**" and each, a "**Development Deadline**"). For the avoidance of doubt, you further understand, acknowledge and agree that our then-current forms of Franchise Agreement may contain materially different terms and conditions than our current form of Franchise Agreement for the first Shop to be developed under the Development Schedule. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of the Shop that is the subject of such Franchise Agreement.

5. Development Obligations.

5.1 Your Required Compliance with the Development Schedule. You must ensure that you timely satisfy the Development Schedule, including without limitation each applicable Development Deadline, and that at all times you maintain the cumulative number of Shops that are required to be operating under the Development Schedule. **Time is of the essence with respect to your satisfaction of your development obligations.** You may not develop or commence operations of more than the number of Shops set forth on Exhibit A without first obtaining our written consent (which we may withhold, condition or delay for any or no reason). A Shop will be considered "**developed**" if: (i) the Franchise Agreement for the Shop has been fully executed by you and us; (ii) the Initial Franchise Fee has been paid for such Shop; and (iii) the Shop has commenced operations in accordance with the Franchise Agreement governing the Shop. Under no circumstances, however, may you develop or commence operations of a Shop unless and until and we have approved same in writing and there is a fully executed Franchise Agreement in place for such Shop. For the avoidance of doubt, if the development deadlines set forth in any Franchise Agreement entered into pursuant to this Agreement are longer than the Development Deadlines set forth in this Agreement, the Development Deadlines in this Agreement shall supersede and prevail.

5.2 Your Failure to Comply with the Development Schedule. Your failure to comply with the Development Schedule in any manner is grounds for immediate termination of this Agreement.

Notwithstanding the foregoing, if you fail to comply with the Development Schedule, we will have the right to: (i) reduce, in whole or in part, the size of the Development Area within which you will have rights; (ii) reduce, in whole or in part, the total number of Shops that you will have the right to develop; and/or, (iii) terminate the this Agreement in its entirety.

5.3 No Subfranchising. You hereby acknowledge and agree that you shall not offer, sell, or negotiate the sale of Shipley Do-Nuts franchises to any third party, either in your own name or in the name and/or on behalf of us, or otherwise subfranchise, subcontract, sublicense, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting you the right to do so. You shall not execute any Franchise Agreement with us, or construct or equip any Shop with a view to offering or assigning such Franchise Agreement or Shop to any third party.

6. Term. Unless sooner terminated in accordance with the terms of this Agreement, the term ("**Term**") of this Agreement will commence on the Effective Date and will end on the earlier of (a) the date that actual the last Shop is developed pursuant to the Development Schedule or (b) the date that the last Shop is required to be developed pursuant to the Development Schedule. If applicable law requires us to give notice of expiration to you at a specified time before the expiration of the Term of this Agreement, and we have not done so, then the Term of this Agreement will be extended on a month-to-month basis until we have given you the required notice of expiration and the required period before the expiration of the Agreement becomes effective has expired. This Agreement shall not be subject to renewal. Upon the termination or expiration of this Agreement, we and our affiliates shall have the right to develop and operate, and to grant to others development and franchise rights to third parties to operate, Shops within the Development Area, subject only to the territorial rights granted to you with respect to Shop operated by you under the Franchise Agreements.

7. Development Area. You undertake to develop the number of Shops designated in Exhibit B of this Agreement within the Development Area set forth by map or written description in Exhibit B to this Agreement. Pursuant to the Franchise Agreements which this Agreement contemplates will be entered into between you and us, your right to operate the Shops will be limited to the Shop Locations (as defined term is defined in the respective Franchise Agreement for such Shop). Subject to the rights we reserve in Section 8 below, we will not operate ourselves or grant a third party the right to operate a Shipley Do-Nuts shop business of the type contemplated by this Agreement and franchised under the Franchise Agreements within the Development Area, so long as this Agreement is in full force and effect and you are not in default under this Agreement or any other agreements between you and your affiliates on the one hand and us and our affiliates on the other hand. These restrictions do not apply to any Shipley Do-Nuts shop businesses in operation or under lease or other commitment to open in the Development Area as of the effective date of this Agreement. These restrictions will immediately terminate upon the expiration or sooner termination of this Agreement for any reason.

8. Our Reservation of Rights. We and our Affiliates, reserve all rights not specifically granted to you pursuant to this Agreement, including but not limited to the right to engage in the following activities:

8.1 Outside of the Territory. Outside of the Development Area, we and/or our affiliates reserve the right to operate any number of Shops, and/or authorize others to operate same, at any location whatsoever, including one or more locations that may be immediately proximate to, but not within, the Development Area.

8.2 Inside the Development Area. You understand and agree that we and/or our affiliates may (except as expressly restricted by Section 7 of this Agreement), engage in any business activity and deploy any business concept whatsoever, and use our Marks or any other names or marks

owned or developed by us or our affiliates, in connection with such other concepts and business activities anywhere (including within your Development Area and proximate to any of your Shop Locations). You further understand and agree that this Agreement does not confer upon you any right to participate in or benefit from such other concepts or business activities, regardless of whether they are conducted under the Marks or not. Our and our affiliates' rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of program, product or service except as restricted by Section 7 above. By way of example, you understand and agree that both inside and outside of the Development Area, we and our affiliates have the right to:

1. *Other Businesses*. Own, operate or authorize others to own or operate any type of business at any location whatsoever, including within your Development Area, so long as such other business does not sell under the identical Marks, the identical type of programs, products or services which your Shops will offer and sell (except as permitted below).

2. *Alternative Channels of Distribution*. Offer and sell within and outside your Development Area, under the Marks, any and all System programs, products or services and/or their components or ingredients (including those to be used or sold by your Shops), at wholesale or retail, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); or, any other channel of distribution whatsoever except for a Shop in your Development Area.

3. *Nontraditional Locations*. Develop, open and operate, grant third-parties the right to develop, open and operate, Shops located at, and to offer and sell (whether directly or through other franchisees, distributors, licensees or otherwise) System programs, products and services at, any and all Non-Traditional Locations, including nontraditional locations situated in your Development Area, through the establishment of Shops, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded in engaging in such activity except in accordance with this Section. "**Nontraditional locations**" include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third-party retailer which is not a donut shop (including shops, stores and department stores); shopping malls and food courts; transportation facilities, including airports, train stations, subways and rail and bus stations; sports facilities, including stadiums and arenas; theaters; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks and amusement parks; Indian reservations; casinos; business or industrial foodservice venues; ghost kitchens, delivery-only restaurants, virtual kitchens, shadow kitchens, commissary kitchens, cloud kitchens, or dark kitchens; military bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. If any Nontraditional Location is located within the physical boundaries of your Development Area, then the premises of this Nontraditional Location will not be included in your Development Area and you will have no rights to this Nontraditional Location.

4. *National, Regional and Institutional Accounts*. Open Shops at and sell System programs, products and services to national, regional and institutional accounts. You are prohibited from engaging in such activities. "**National, Regional and Institutional Accounts**" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Development Area; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and any other customer whose presence is not confined to your Development Area. Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within your Development Area). If we receive orders for any products or services calling for delivery or performance in your Development Area as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Shipley Do-Nuts franchisee may serve the customer within your Development Area, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Manual.

5. *Licensed Product Sales*. Sell and distribute products identified by the Marks in the Development Area to restaurants and food service establishments other than donut shops identified by the Marks or award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those restaurants/establishments or foodservice facilities are not licensed to use the Marks in connection with their retail sales. You are prohibited from engaging in such activities.

6. *Other Franchise Systems*. Develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks. You acknowledge and agree that our affiliates may in the future operate food service businesses under different marks and with operating systems that are the same as or similar to the System, at any location (including within the Development Area) and that any such businesses might compete with your Shops

7. *Transactions*. In addition, you understand, acknowledge and agree that we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Marks, regardless of the location of these businesses and/or facilities, which may be within the Development Area or immediately proximate to the Development Area.

8.3 Waiver and Release. You waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

9. Statement of Ownership. All of the ownership interests in you are accurately and completely described in Exhibit C. You must promptly notify us in writing of any change in any of the

information specified, or in any document referred to, herein and secure our prior written consent regarding such change.

10. Liability of Developer; Guarantee.

10.1 Liability of "Developer". The terms "Developer" and "you" as used in this Agreement will refer to each person executing this Agreement as Developer, whether that person is one of the spouses, partners, proprietors, shareholders, trustees, trustors or beneficiaries or persons named as included in you, and will apply to each of these persons as if he/she were the only named Developer in this Agreement. If you are a partnership or proprietorship, or if more than one person executes this Agreement as Developer, each partner, proprietor or person executing this Agreement will be liable for all obligations and duties of Developer under this Agreement. If you are a trust, each trustee, grantor and beneficiary signing this Agreement will be liable for all the obligations and duties of Developer under this Agreement. If you are a business entity, all owners of such entity executing this Agreement will be liable for all obligations and duties of Developer under this Agreement as if each such owner or the sole franchisee under this Agreement.

10.2 Personal Guaranty. If you are an entity, all direct and indirect owners with 5% or more interest in you must concurrently with the execution of this Agreement (or at such later time as they assume any status specified herein), execute our standard form Personal Guaranty (Exhibit D). In addition, we reserve the right to require other individuals the Personal Guaranty if and as we determine necessary or desirable, as we determine in our sole business judgment. If you are in breach or default under this Agreement, we may proceed directly against each such guaranteeing individual and/or entity without first proceeding against you and without proceeding against or naming in the suit any other such guaranteeing individuals and/or entities. Your obligations and those of each such guaranteeing individual and/or entity will be joint and several. Notice to or demand upon one such guaranteeing individual and/or entity will be considered notice to or demand upon you and all such guaranteeing individuals and/or entities, and no notice or demand need be made to or upon all such guaranteeing individuals and/or entities. The cessation of or release from liability of you or any such guaranteeing individual and/or entity will not relieve you or any other guaranteeing individual and/or entity, as applicable, from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

11. Compliance with Franchise Agreements and Laws, Rules and Regulations. You agree to abide by and faithfully adhere to the terms of this Agreement and each Franchise Agreement signed pursuant to this Agreement. You further agree to develop the Shops in strict compliance with all applicable laws, rules and regulations of all governmental authorities; to comply with all applicable wage, hour and other laws and regulations of the federal, state and local governments; to prepare and file all necessary tax returns; to pay all taxes imposed upon you related to the Shops; and, to obtain and keep in good standing all necessary licenses, permits and other required forms of governmental approval required of you.

12. Terrorism. You represent and warrant to us that, as of the date of this Agreement and at all times during the Term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury's Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or,

is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other disposition of this Agreement to a Specially Designated National or Blocked Person (as defined below) or to an entity in which a Specially Designated National or Blocked Person has an interest. For the purposes of this Agreement, "Specially Designated National or Blocked Person" means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business. You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or, any other legally prohibited individual or entity.

13. Indemnification. Under no circumstances will we be liable for any of your acts, omissions, debts, or other obligations. You will indemnify, defend, and hold harmless, to the fully extent permitted by law us, any Affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (each an "**Indemnitee**") from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) of any kind and nature whatsoever, or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to this Agreement and any Franchise Agreement entered into pursuant to this Agreement. You agree to give us written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Indemnitee within 3 days of your actual or constructive knowledge of it. At your expense and risk, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, we will seek your advice and counsel and keep you informed with regard to the defense or contemplated settlements. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnitees and to hold us and them harmless. We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to do so. Under no circumstance will we or the other Indemnitees be required to seek recovery from third parties or otherwise mitigate our or their losses to maintain a claim against you. You agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by us or the other Indemnitees from you. The indemnification obligations of this Section will survive the expiration or sooner termination of this Agreement.

14. Best Efforts; Cooperation with Us. You agree to act in good faith and use your best efforts to comply with your obligations under this Agreement, and to cooperate with us in accomplishing the purposes of this Agreement.

15. Restriction on Use of Confidential Information. You agree that you will not, during the Term of this Agreement or thereafter, divulge to or use for the benefit of yourself or any other person(s), partnership, proprietorship, association, corporation or entity, any confidential information, knowledge or know-how concerning your or our systems of operation, programs, services, products, customers or practices and/or pertaining to System which may be communicated to you. Any and all

information, knowledge, know-how, techniques and information which we, our affiliates, or their respective officers, designate as confidential will be deemed confidential for the purposes of this Agreement, except information which you can demonstrate came to your attention before our disclosure or which, at or after the time of our disclosure to you, has become a part of the public domain through publication or communication by others.

16. In-Term Competitive Restrictions. You acknowledge the uniqueness of the System and that we are making our knowledge, know-how, and expertise available to you for the purpose of operating the Shops strictly and solely within the Development Area. You agree that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate, any of the knowledge, know-how or expertise you receive from us or our Affiliates for any reason other than for the operation of the Shops under Franchise Agreements entered into pursuant to this Agreement. As such, you hereby agree that during the Term of this Agreement, you will not at any geographic location whatsoever, directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business.

17. Post-Term Competitive Restrictions. You hereby agree that for a period of 2 years after a Transfer, the termination or expiration of the Term of this Agreement for any reason, or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, you will not directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business within (a) the Development Area; (b) a 10-mile radius surrounding the Development Area; (c) within the Development Area of any other Shipley Do-Nuts shop business; or (d) within a 10-mile radius of the Development Area of any other Shop, whether or not established, being constructed or subject to an executed Franchise Agreement at the time this restriction begins to be enforced.

18. Non-Solicit. During Initial Term or any Renewal Term of this Agreement, and for 2 years following the termination, expiration or transfer of same for any reason, you agree not to solicit for employment or hire our management personnel, the management personnel of any of our affiliates or the management personnel of any other Shop without first obtaining any written permission from us and the employer(s) of the personnel in question.

19. Competitive Business. A "**Competitive Business**" means any other business or activity which offers or sells donuts, kolaches, or any of the other products or services which now or hereafter are authorized for sale under the System or component thereof in any manner; which offers or sells similar or related products or services; which engages in any of the activities which this Agreement contemplates that you will engage in pursuant to a Franchise Agreement; or, which offers or sells any other product, service or component which now or in the future is part of the System, or any confusingly similar product or service. You are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, member, director, manager, officer, employee, principal, agent, advisor, consultant, lessor, sublessor or any similar capacity. In addition, you agree not to divert any business that should be handled by the Shop to any other person or entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Agreement will prevent you from owning for investment purposes only up to an aggregate of 5% of the capital stock of any Competitive Business you do not control, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange.

20. Procurement of Additional Covenants. You agree to require and obtain the execution of substantially similar covenants as those set forth in this Agreement and as in our current form of Confidentiality/Non-Competition Agreement (attached as Exhibit E hereto) from all of the following persons: (a) Before employment or any promotion, your Operating Principal, General Manager and all other managerial personnel; and, (b) all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you. You shall procure all such Confidentiality/Non-Competition Agreements no later than 10 days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within 10 days following such individual or entity's attaining such status) and shall furnish to us copies of all executed Confidentiality/Non-Competition Agreements within 10 days following their execution Notwithstanding the foregoing, we reserve the right, in our sole discretion, to unilaterally decrease the period of time or geographic scope of the non-competition covenant set forth in Exhibit E or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section and/or to modify our form of Confidentiality/Non-Competition Agreement at any time upon notice to you. You are solely and exclusively required, at your sole cost and expense, to ensure that the form of Confidentiality/Non-Competition Agreement obtained from your employees complies with applicable law.

21. Reasonableness of Restrictions. If all or any portion of the covenants not to compete set forth in this Agreement are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenants were separately stated in and made a part of this Agreement.

22. Transfer By Us. We are free to assign this Agreement and/or all of our rights and obligations under this Agreement, and upon such assignment we will be relieved of all liability under this Agreement, and all rights and obligations will accrue to our successor or assignee. You agree and affirm that we may sell our company, our assets, our Marks and/or System to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other business entities or be acquired by another business entity; and/or, may undertake a refinancing, recapitalization, securitization, leveraged buyout or other economic or financial restructuring. With regard to any such sale, assignment, merger, acquisition or financial activities, you expressly and specifically waive any claims, demands or damages arising from our related to the substitution of our name, Marks (or any variation thereof) and System; the loss of association with us or identification of us as the "Franchisor" under this Agreement; and, any and all other claims, demands or damages arising from or related to such activities. If we assign this Agreement, as provided herein, you expressly agree that immediately upon and following such assignment, we will no longer have any obligation – directly, indirectly or contingently – to perform or fulfill the duties and obligations imposed upon "Franchisor" hereunder. Instead, all such duties and obligations will be performed solely by our assignee, and you will never assert, contend or complain otherwise.

23. Transfer By You. The rights and duties created by this Agreement are personal to you. We have granted the development rights under this Agreement in reliance upon our perception of the individual and collective character, skill, attitude, and business and marketing abilities of you and your owners. Therefore, without our prior written consent, there can be no "Transfer", defined as including any voluntary or involuntary, direct or indirect, assignment, sale, gift, transfer, share, sublicense, divide, conveyance, lease or other disposition of an interest in this Agreement, you or the Shops developed pursuant to this Agreement, including without limitation: a transfer of any capital stock, partnership

interest, limited liability company interest or other ownership interest; a merger, consolidation, reorganization, business combination or other issuance of additional stock or ownership interests; a transfer in bankruptcy or dissolution of marriage or otherwise by operation of law or by order of court; a transfer to a personal representative upon the disability of, or transfer upon the death of, an Operating Principal; the grant or creation of any lien or encumbrance on any ownership interest or asset; the grant of any option, call, warrant, conversion rights or rights to acquire any equity or voting interest; an assignment of contract rights; a sale of assets (including the inventory, furniture, fixtures, equipment and other operating assets of any of the Shops, other than in ordinary course of business); or any change in the or management of any of the Shops. Any consent by us will not operate as a consent to any future Transfer, and no future Transfer will be valid without our prior written consent to that specific Transfer. Any attempted Transfer in violation of this paragraph is voidable at our option. Termination.

23.1 Termination By Us – Automatic Termination Without Notice. You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you or your Shops are adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against you, the Shops are not immediately contested and/or dismissed within 60 days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, any of the Shops or assets of such businesses is filed and consented to by you; a receiver or other custodian (permanent or temporary) of all or part of your assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against you, any of the Shops; you are dissolved; execution is levied against you, any of the Shops or your property; or, the real or personal property of or any of the Shops is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

23.2 Termination By Us Upon Notice – No Opportunity To Cure**.** You will have materially breached this Agreement and we will have the right to terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by certified mail, registered mail, overnight courier or personal physical delivery, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events:

23.2.1 You fail to meet the Development Schedule (including any of the Development Deadlines included therein).

23.2.2 You omit or misrepresent any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement or enter into any Franchise Agreement for any Shop.

23.2.3 We and you agree in writing to terminate this Agreement.

23.2.4 You (or any principal of a corporate, partnership, proprietorship or other entity developer) are convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your duties under this Agreement and/or your operation of any of the Shops, or is likely to have an adverse effect on System, the Marks, the goodwill associated with the Marks or our interest in the System or Marks.

23.2.5 You (or any principal of a corporate, partnership, proprietorship or other entity franchisee) purport to transfer any rights or obligations under this Agreement, any interest in you or any of the Shops to any third party in violation of the terms of this Agreement.

23.2.6 You do not comply with the covenant not to compete during the term of this Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or, do not obtain the execution of the additional covenants required in Section 18 of this Agreement.

23.2.7 You commence operations of a Shop without a fully executed Franchise Agreement and our prior written approval.

23.2.8 You cease to operate all of the Shops developed pursuant to this Agreement.

23.2.9 You engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to our Marks.

23.2.10 You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Shops, us or System.

23.3 Termination by Us – 30-Day Opportunity to Cure. Except as specifically provided in Sections 23.1 or 23.2, or elsewhere in this Agreement, you will have 30 calendar days following our delivery of written notice to you to cure any default under this Agreement and provide us with evidence that you have done so. If you have not cured any default within that time, this Agreement will terminate immediately upon expiration of the 30 day period, unless we otherwise agree in writing. You will be in default of this Agreement for any failure to comply with any of your obligations under this Agreement.

23.4 Description of Default**.** The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

23.5 Cross Default. Any default or breach by you (or any of your affiliates) of any other agreement between us or our affiliates and you (or any of your affiliates) will be considered a default under this Agreement, and any default or breach of this Agreement by you will be considered a default or breach under any and all other agreements between us (or any of our affiliates) and you (or any of your affiliates). If the nature of the default under any other agreement would have permitted us to terminate this Agreement if the default had occurred under this Agreement, then we (or our affiliate) will have the right to terminate all the other agreements between us (or any of our affiliates) and you (or any of your affiliates) in the same manner provided for in this Agreement for of this Agreement. Your "**affiliates**" include any persons or entities controlling, controlled by, or under common control with you.

23.6 Notice Required By Law. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

23.7 Effect of Termination. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights of termination under this Agreement or requires longer notice or cure periods than those set forth

above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

24. Other Obligations and Rights on Termination or Expiration. The termination of this Agreement upon breach of your development obligations will not terminate any of the Franchise Agreements executed by you before the effective date of termination of this Agreement and for which you have already commenced the Shops covered by the Franchise Agreements, but after the effective date of the termination, you will have no right to develop or operate any additional Shops without first obtaining our express written consent, which we may withhold without cause. Upon expiration or earlier termination of this Agreement for whatever reason, you agree to:

24.1 Immediately pay all sums due and owing to us or our affiliates, plus interest, and all sums due and owing to any landlord, employees, taxing authorities, advertising agencies and all other third parties.

24.2 If we terminate because of your default, pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) lost profits, lost opportunities, damage inuring to our Marks and reputation, travel and personnel costs and the cost of securing a new developer for the Development Area. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you and any of the Shops at the time of termination and against any of your money which we are holding or which is otherwise in our possession.

24.3 Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.

24.4 Strictly comply with the post-termination/post-expiration covenants not to compete and not to solicit set forth in Section 17 of this Agreement.

24.5 Continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Sections 15 and 17 of this Agreement.

The expiration or termination of this Agreement will be without prejudice to our rights against you, and will not relieve you of any of your obligations to us at the time of expiration or termination, or terminate your obligations which by their nature survive the expiration or termination of this Agreement.

25. Dispute Resolution

25.1 Limitations Period. Any and all claims brought by you arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the parties hereto, shall be barred unless you commence a judicial proceeding against us within 1 year from the date you knew or should have known of the facts giving rise to such claim.

25.2 Your Waiver of Punitive Damages, Class Actions and Jury Trial.

25.2.1 You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us and our Affiliates arising out of any cause whatsoever (whether

such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, that your recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent us from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to your default, which you acknowledge and agree that we may claim under this Agreement.

25.2.2 You may only pursue any claim you have against us or the other Indemnitees in an individual legal action or proceeding. Neither you nor any of your officers, directors, members, owners, shareholders, management, employees, contractors and/or representatives (the "**Developer Party(ies)**") shall join or combine its/their legal action or proceeding in any manner with any action or claim of any other franchisee, franchise owner, franchisee guarantor, or other claimant, nor will you or any other Developer Party maintain any action or proceeding against us and the other Indemnitees in a class action, whether as a representative or as a member of a class or purported class, nor will you or any other Developer Party seek to consolidate, or consent to the consolidation of, all or part of any action or proceeding by any of them against us or the other Indemnitees with any other litigation against us or such other Indemnitee.

25.2.3 YOU HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES FROM US.

25.3 Governing Law. This Agreement; all relations between us; and, any and all disputes between you and/or any other Developer Party, on the one hand, and us and/or any other Indemnitees, on the other hand, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state of where our principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If we move our principal headquarters to another state, we reserve the right to designate that state**'**s law as governing, again without recourse to that successor state's (or any other) choice of law or conflicts of law principles, upon written notice to you. If, however, any provision of this Agreement is unenforceable under the laws of the state where our principal headquarters is then-located (or a successor state we designate as provided above), and if your Shops are located outside of that state and the provision would be enforceable under the laws of the state in which your Shops are located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of any state, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

25.4 Mediation. Before you may bring an action in court or arbitration against us or our Affiliates, you must first mediate the dispute with us. Any such mediation will be non-binding and will be conducted in accordance with then-current rules for mediation of commercial disputes under the American Arbitration Association. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a 15-mile radius of our then-current principal place of business, unless we agree otherwise in writing. Mediation hereunder will be concluded within 45 days of our receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by

the parties in writing. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever. You and we will each bear our own costs of mediation, and each will bear ½ the cost of the mediator or mediation service. This Section mandating non-binding mediation will not be mandatory before we institute an action against you; it is only a mandatory pre-requisite before you institute an action against us or our Affiliates.

25.5 Venue. Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the Parties (as defined below); and, any and all disputes between the Parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment exclusively in a state or federal district court of competent jurisdiction in the city and state where our principal headquarters are then-located. You hereby irrevocably submit yourself to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You agree that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your Shop Location, we may bring such an action in any state or federal district court which has jurisdiction. You hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "Parties" includes you; your guarantor(s); if you are a business entity, your owners, officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by you; and, any affiliate of each of the foregoing.

25.6 Attorneys' Fees. The prevailing party in any action arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

26. Enforcement

26.1 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary, each section, paragraph, term and provision of this Agreement, and any portion thereof, is considered severable. To the extent that any part of this Agreement is deemed unenforceable by virtue of its scope in terms of area, time or business activity prohibited, but could be enforceable by reducing any or all provisions, you and we agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of the Term of this Agreement or refusal to renew this Agreement than is required in this Agreement, or the taking of some other action not required in this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by the law or rule shall be substituted for the comparable provisions.

26.2 No Waiver. Neither our waiver of a breach or default by you, nor our delay or failure to exercise any right upon your breach or default, nor our acceptance of any payment from you, will be deemed a waiver, nor will it impair our rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent our assertion of

other defaults or breaches. We may waive any one or more of the requirements imposed under this Agreement for the benefit of any particular franchisee or any particular Shop, but the waiver in favor of any other franchisee or Shop will not prevent us from enforcing the requirements against you, all other franchisees and all other Shops.

26.3 Obligations Absolute. You agree that your obligations to make any payments as specified in this Agreement, and any other agreement entered into with us or any of our Affiliates with respect to the Shop, and the rights of us and our Affiliates to receive such payments, are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims that you have or may have against us and any of our Affiliates or against any other person for any reason whatsoever.

26.4 Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, permitted assigns and successors in interest, and shall not be modified except by written agreement signed by both you and us.

26.5 Timing. Time is of the essence of this Agreement. It will be a material breach of this Agreement for you to fail to perform any of your obligation within the time required or permitted by this Agreement.

26.6 Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing and signed by us. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

26.7 Our Business Judgement. Whenever this Agreement or any related agreement grants, confers or reserves to us the right to take action, refrain from taking action, grant or withhold our consent or grant or withhold our approval, unless the provision specifically states otherwise, we will have the right to engage in such activity at our option taking into consideration our assessment of the long term interests of the System overall. You and we recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by our business judgment, neither said court, said judge nor any other person reviewing those activities or decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable.

26.8 Cumulative Rights and Remedies. In addition to any other remedies in law or in equity to which it may be entitled, we will be entitled, without bond, to entry of injunctive relief and orders of specific performance enforcing the provisions of this Agreement, in the event you actually or anticipatorily breach this Agreement. If we incur attorneys' fees or other expenses in seeking enforcement of this Agreement, you will be required to reimburse us for our reasonable costs and expenses (including attorneys' fees). No right or remedy conferred upon us is intended to be exclusive, and every right or remedy granted in this Agreement will be cumulative and in addition to any other rights or remedies available under this Agreement, or otherwise. For purposes of this Agreement, a termination will include a termination for any reason, expiration, cancellation, failure to renew, assignment or Transfer.

26.9 Construction. The headings of the several sections and paragraphs are for convenience only and do not define, limit, or construe the contents of the sections or paragraphs. The

singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If you are comprised of 2 or more persons, the obligations and liabilities to us of each of these persons will be joint and several. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. This Agreement is executed in multiple copies, each of which is deemed an original.

26.10 Notices. Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally, by certified mail (return receipt requested, postage prepaid), or by documented overnight delivery with a reputable carrier; and, will be effective on the date that delivery is documented to have been first attempted. Notices to either party will be to the address listed in the opening paragraph of this Agreement or at such other address as either party may specify in a notice to the other party. All notices to us will also be sent with a copy to Akerman LLP, 1251 Avenue of the Americas, 37th Floor, New York, New York 10020, Attention: Dale A. Cohen, Esq.

26.11 Representations and Warranties. You hereby represent and warrant to us as follows:

26.11.1 You are acquiring this franchise for your own account for the operation of a Shop, and not for the purpose of resale or redistribution or other speculative matter;

26.11.2 All information you provided to us in your application and other documents to induce us to grant this franchise was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information;

26.11.3 The execution, delivery and performance of this Agreement by you does not and will not violate, conflict with or result in the breach of any term, condition or provision of any contract or agreement, or require the consent of any other person or entity;

26.11.4 If you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement;

26.11.5 This Agreement represents a valid, binding obligation of you and each guarantor of this Agreement; and,

26.11.6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement

27. General.

27.1 Non-Liability of Our Affiliates. We are the only company obligated to you under this Agreement. You may not look to or any other Affiliate of us, or related companies, other business entities or individuals for performance of this Agreement.

27.2 Force Majeure**.** Neither party shall be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) such as acts of civil or military authority, strikes, lock-outs, embargoes, insurrections, acts of God, epidemics, or other public health emergencies of local, national or international concern; provided, however, that with respect to your failure to satisfy the Development Schedule, this shall mean fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. If any such delay occurs, any

applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds 75 days, we have the right to terminate this Agreement or to require you to move to a new location approved by us within an additional period of 120 days.

27.3 Survival. All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

27.4 Relationship of the Parties. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them. You are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose. You will be solely responsible for your employees and all employment related decisions, including, without limitation, decisions concerning wages and benefits, hiring and discharging, training and supervision and work schedules of employees. You are not empowered to, and may not, make any express or implied agreements, warranties, guarantees or representations or incur any debt or other obligations in our name or for our account (or for those of any of our affiliates). Except as expressly provided in this Agreement, we will have no control or access to your funds or their expenditure or in any other way exercise control over your operations. You agree that you will do business and be identified as a Developer, but not an agent of, ours.

27.5 No Third-Party Beneficiaries**.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

27.6 No Right to Offset**.** You may not withhold all or any part of any payment to us or any of our affiliates on the grounds of the alleged nonperformance of us or any of our affiliates or as an offset against any amount we or any of our affiliates may owe or allegedly owe you under this Agreement or any related agreements.

27.7 Entire Agreement**.** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of our business relationship defined in this Agreement. Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that we each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or

offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement.

27.8 Amendments. No change, modification, amendment, or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

27.9 Execution and Electronic Counterparts**.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

27.10 Acknowledgment. You acknowledge that this Agreement is not a Franchise Agreement and does not confer upon you any rights to use our Marks or System. You will acquire a limited, non-exclusive license to use our Marks and System only pursuant to, and to the extent that these rights are granted by, Franchise Agreements executed by you and us pursuant to this Agreement.

27.11 Additional Documentation**.** You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreements and take such other action as we may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf, as reasonably necessary to effectuate the transactions contemplated herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

SHIPLEY FRANCHISE COMPANY LLC

By: _____

Print Name: _____

Date: _____

DEVELOPER:

_____

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A
DEVELOPMENT SCHEDULE AND DEVELOPMENT FEE

1. **Development Schedule.** The Development Schedule referred to in Section 2 of the Multi-Shop Development Agreement ("MSDA") is as follows:

Develop-ment Period	Site Approval Deadline	Franchise Agreement Execution Deadline*	Lease Execution Deadline	Opening Deadline	Number of New Shops Developer Must Open by Opening Deadline	Cumulative Number of Shops Developer Must Have Open and Operating by Opening Deadline
First						
Second						
Third						
Fourth						

*Or by date lease is signed for the Shipley Do-Nuts Shop to be developed, whichever is sooner.

2. **Development Fee.** The Development Fee referred to in Section 3 of the MSDA is: $_____.

THIS EXHIBIT "A" IS AGREED AND APPROVED BY:

FRANCHISOR:	**DEVELOPER:**
SHIPLEY FRANCHISE COMPANY LLC	_____
By: _____	By: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

EXHIBIT B
DEVELOPMENT AREA

The following describes the Development Area within which Developer may locate Shipley Do-Nut Shops under the Multi-Shop Development Agreement (in the event of a discrepancy between any map and verbiage set forth below, the verbiage will prevail):

_____
_____
_____
_____
_____
_____
_____
_____

THIS EXHIBIT "B" IS AGREED AND APPROVED BY:

FRANCHISOR:	**DEVELOPER:**
SHIPLEY FRANCHISE COMPANY LLC	_____
By: _____	By: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

EXHIBIT C
STATEMENT OF OWNERSHIP

1. Business Entity. Developer, _____, was incorporated or formed on _____, 20__, under the laws of the State of _____. Developer has not conducted business under any name other than your corporate, limited liability company or partnership name. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

Name of Person	Position(s) Held

2. Ownership. The following is a list of all shareholders, partners, owners or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

Name of Person	Percentage of Ownership/ Nature of Ownership

This Statement of Ownership is current and complete as of _____, 20 __.

DEVELOPER:

_____

By: _____

Print Name: _____

Date: _____

EXHIBIT D
GUARANTEE OF MULTI-SHOP DEVELOPMENT AGREEMENT

In consideration of the execution by Franchisor of the Multi-Shop Development Agreement (the "MSDA") dated _____, 20__, between Shipley Franchise Company LLC ("Franchisor") and _____ ("Developer") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said MSDA and in any other agreement(s) by and between Developer and Franchisor.

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said MSDA and any other agreement(s) by and between Developer and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the MSDA and any other agreement(s) by and between Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the MSDA may be amended, compromised, released or otherwise altered by Franchisor and Developer, and the undersigned do guarantee and promise to perform all the obligations of Developer under the MSDA as so amended, compromised, released or altered; (b) any guarantor of or party to the MSDA may be released, substituted or added; (c) any right or remedy under the MSDA, this Guarantee or any other instrument or agreement between Franchisor and Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Developer, any of the undersigned, any party to the MSDA or any other person.

Should Developer be in breach or default under the MSDA or any other agreement(s) by and between Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Developer and without proceeding against or naming in such suit any other Developer, signatory to the MSDA or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Developer or any of the undersigned shall be deemed notice to or demand upon Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Developer or

any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the MSDA, or under any other agreement(s) between Franchisor and Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the MSDA or any other agreement(s) by and between Developer and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of such state, and if the development business under the MSDA is located outside of such state and the provision would be enforceable under the laws of the state in which the development business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located. The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

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

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the MSDA.

_____

Signature

_____

Printed Name

_____

Address

EXHIBIT E
CONFIDENTIALITY/NON-COMPETITION AGREEMENT

NAME: _____
DEVELOPER: _____
HOME ADDRESS: _____

_____

HOME TELEPHONE: _____
CLASSIFICATION: **(Owner, Shareholder, Officer, Director, Attorney, Employee, Etc.)**

_____ ("Developer") is a developer of Shipley Franchise Company LLC ("Franchisor") pursuant to a Multi-Shop Development Agreement entered into by Developer and Franchisor dated _____, 20__, (the "MSDA"). I agree that, unless otherwise specified, all terms in this Confidentiality/Non-Competition Agreement ("Agreement") have those meanings ascribed to them in the MSDA.

I agree that during the term of my employment by, ownership participation in, association with or service to Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge, trade secrets or know-how concerning the systems of operation, programs, services, products, equipment and materials, methods, techniques, formulas, contracts, customer lists, customer information, suppliers, supplier lists, pricing, marketing, computer programs, products, skills, performance specifications, technical and financial information and results, manuals, computer files, databases, software, training and instruction programs and materials of Developer and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Developer and/or Franchisor.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all elements of the System and all programs, products, services, equipment, technologies, policies, standards, requirements, criteria, and procedures that now or in the future are part of the System; Franchisor's manuals (as same may be amended from time to time); supplements and/or amendments to the manuals; records pertaining to customers or billings; methods of advertising and promotion; customers; instructional materials; staff composition and organization systems; supervision systems; recommended services; recordkeeping systems and materials; bookkeeping systems and materials; business forms; product and service order forms; general operations materials; revenue reports; standards of interior and exterior design and decor; activity schedules; job descriptions; advertising, promotional and public relations materials/campaigns/guidelines/philosophy; all specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the System; additions to, deletions from, and modifications and variations of the components constituting the System or the systems and methods of operations which are now, or may in the future, be employed by Franchisor, including all standards and specifications relating

thereto and the means and manner of offering and selling same; and, all other components, specifications, standards, requirements and duties imposed by Franchisor or its affiliates.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make the them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the MSDA contemplates will be engaged in by Developer; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of two years immediately following the expiration or termination of my employment/service/association/ownership participation, I am prohibited from engaging in any Competitive Business, if the other business is located within (a) the Development Area; (b) a ten-mile radius surrounding the Development Area; (c) within the Development Area of any other Shipley Do-Nuts business; or (d) within a ten-mile radius of the Development Area of any other Shipley Do-Nuts Shop, whether or not established, being constructed or subject to an executed MSDA at the time this restriction begins to be enforced.

In addition, of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following my expiration or termination for any reason, whether for any reason or no reason, voluntary or involuntary, or for cause or without cause, I will not, directly or indirectly, solicit or accept any business from, and will not directly or indirectly contact any existing customers or identified prospective customers with whom Developer or its employees or other agents have had direct or indirect contact or about whom Developer or its employees or other agents have learned Confidential Information by virtue of the operation of the development business for any other business.

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is registered under the Securities Act of 1933, and so long as I or Developer do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or termination of my term of employment/service/association, I will immediately refrain from any and all contacts with customers, for any purpose whatsoever.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Developer for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Developer (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Developer and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of such state, and if the development business is located outside of such state and the provision would be enforceable under the laws of the state in which the development business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law of the state of where Franchisor's principal headquarters is then-located or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located.

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

_____
(Print Name)

_____
(Signature)

_____
(Date)

EXHIBIT F
STATE-SPECIFIC ADDENDA

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR CALIFORNIA

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor" "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of California; (b) Developer is a resident of the State of California; and/or (c) part or all of the Development Area is located in the State of California.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

5. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law are met independently of this Addendum.

7. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR ILLINOIS

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of Illinois; (b) Developer is a resident of the State of Illinois; and/or (c) part or all of the Development Area is located in the State of Illinois.

2. The following sentence is added to the end of Section 24:

Your rights upon termination and, if applicable, non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. The following sentence is added to the end of Section 26.3:

Notwithstanding the foregoing, Illinois law will govern this Agreement.

4. The following sentence is added to the end of Section 26.5:

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; however, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. The following sentence is added to the end of Section 26.1:

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 after the violation, 1 year after the Developer becomes aware of the underlying facts or circumstances, or 90 days after delivery to the Developer of a written notice disclosing the violation.

6. The following sentence is added to the end of Section 27.2:

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum.

9. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

10. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR INDIANA

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to you was made in the State of Indiana; (b) you are a resident of the State of Indiana; and/or (c) part or all of the Development Area is located in the State of Indiana.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Multi-Shop Development Agreement.

4. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR MARYLAND

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of Maryland; (b) Developer is a resident of the State of Maryland; and/or (c) part or all of the Development Area is located in the State of Maryland.

2. The following sentences are added to the end of Section 3:

Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by developers shall be deferred until the first franchise under this Agreement opens.

3. The following sentence is added to the end of Section 26.5:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 26.1:

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

5. The following paragraph is added to the end of Section 27.11:

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 will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

8. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this Addendum.

9. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date:_____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR MICHIGAN

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to you was made in the State of Michigan; (b) you are a resident of the State of Michigan; and/or (c) part or all of the Development Area is located in the State of Michigan.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Multi-Shop Development Agreement.

4. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR MINNESOTA

This Addendum to the Multi-Shop Development Agreement dated as of ____ ("Multi-Shop Development Agreement") between Shipley Franchise Company LLC ("Franchisor," "you" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The following sentence is added to the end of Section 3:

The franchisor is required to defer the collection of initial fees until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business.

2. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of Minnesota; (b) Developer is a resident of the State of Minnesota; and/or (c) part or all of the Development Area is located in the State of Minnesota.

3. The following sentence is added to the end of Section 23:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreements.

4. The following sentences are added to the end of Section 26.5:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. The following sentence is added to the end of Section 26.1:

Minnesota Statute § 80C.17, Subdivision 5, provides that no action may be commenced pursuant to that Section more than three years after the cause of action accrues.

6. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. The provisions of this Addendum will be effective only to the extent that the

jurisdictional requirements of the Minnesota Franchise Act and the Rules and Regulation promulgated thereunder are met independently of this Addendum.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Multi-Shop Development Agreement.

9. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR NEW YORK

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor" "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of New York; (b) Developer is a 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. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

5. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently of this Addendum.

7. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR NORTH DAKOTA

This Addendum to the Multi-Shop Development Agreement dated as of _____ ("Multi-Shop Development Agreement") between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of North Dakota; (b) Developer is a resident of the State of North Dakota; and/or (c) part or all of the Development Area is located in the State of North Dakota.

2. The following sentence is added to Section 26.1:

> Notwithstanding anything in the foregoing to the contrary, any legal action or proceeding (including a proceeding related to 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 the applicable statute of limitations under North Dakota law.

3. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

9. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR RHODE ISLAND

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Multi-Shop 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 a 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 26.5:

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. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Multi-Shop Development Agreement.

6. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently of this Addendum.

7. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC :**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR SOUTH DAKOTA

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Multi-Shop Development Agreement. This Addendum is being executed because the franchise was "offered or sold" (as defined in the South Dakota Franchise Investment Act ("Act")) in South Dakota.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

5. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act are met independently of this Addendum.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Multi-Shop Development Agreement.

7. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR VIRGINIA

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the Commonwealth of Virginia; (b) Developer is a resident of the Commonwealth of Virginia; and/or (c) part or all of the Development Area is located in the Commonwealth of Virginia.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Multi-Shop Development Agreement.

4. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently of this Addendum.

5. Except as expressly modified by this Addendum, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

MULTI-SHOP DEVELOPMENT AGREEMENT ADDENDUM FOR WISCONSIN

This Addendum to the Multi-Shop Development Agreement dated as of _____ between Shipley Franchise Company LLC ("Franchisor," "we" or "us") and _____ ("Developer," "you" or "your") is entered into simultaneously with the execution of the Multi-Shop Development Agreement.

1. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Wisconsin law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

DEVELOPER:	**FRANCHISOR:** **SHIPLEY FRANCHISE COMPANY LLC**
By:_____	By:_____
Print Name:_____	Print Name: _____
Title:_____	Title: _____
Date: _____	Date: _____

EXHIBIT C
TO THE FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

Shipley Franchise Company LLC

FINANCIAL STATEMENTS

As of December 31, 2025 and Period from July 28, 2025 to December 31, 2025 (Successor Period)
and Period from January 1, 2025 to July 27, 2025 (Predecessor Period)

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Shipley Franchise Company LLC

Opinion

We have audited the financial statements of Shipley Franchise Company LLC (the "Company"), which comprise the balance sheet as of December 31, 2025, and the related statements of income, changes in member's equity, and cash flows for the periods from July 28, 2025 to December 31, 2025 (the "Successor Period") and from January 1, 2025 to July 27, 2025 (the "Predecessor Period"), 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 the Company as of December 31, 2025, and the results of its operations and its cash flows for the periods from July 28, 2025 to December 31, 2025 (the "Successor Period") and from January 1, 2025 to July 27, 2025 (the "Predecessor Period"), in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the Company 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.

Emphasis of matter

As discussed in Note 1 to the financial statements, the Company experienced a change of control during 2025. Our opinion is not modified with respect to this matter.

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 the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Grant Thornton LLP is a U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

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 US 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 US 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 the Company'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 the Company'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.

Grant Thornton LLP

Houston, Texas
April 30, 2026

Shipley Franchise Company LLC
Balance Sheet

(in thousands, unless otherwise noted)	Successor December 31, 2025
Assets	
Current assets:	
Cash and cash equivalents	$ 1,279
Accounts receivable	203
Prepaid expenses	229
Deferred commissions and costs	96
Total current assets	1,807
Property and equipment, net	2,477
Deferred commisions and costs, net of current portion	1,344
Intangibles, net	41,125
Goodwill, net	64,593
Operating lease right-of-use assets	721
Total assets	$ 112,067
Liabilities and member's equity	
Current liabilities:	
Accounts payable	$ 714
Accrued expenses	1,186
Deferred franchise fees	721
Current portion of operating lease liabilities	32
Total current liabilities	2,653
Deferred franchise fees, net of current portion	7,711
Operating lease liabilities, net of current portion	694
Total liabilities	11,058
Member's equity	101,009
Total liabilities and member's equity	$ 112,067

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

Shipley Franchise Company LLC
Statement of Income

(in thousands, unless otherwise noted)	Successor Period From July 28, 2025 to December 31, 2025	Predecessor Period From January 1, 2025 to July 27, 2025
Revenues		
Royalty fees	$ 6,438	$ 8,300
Marketing cooperative	1,433	1,911
Franchise fees	321	238
Other revenue	11	-
Total revenues	8,203	10,449
Operating expenses		
Depreciation and amortization	3,965	440
General and administrative	3,814	5,400
Marketing expenses	1,468	2,822
Stock compensation	-	52
Management fees	208	300
Total operating expenses	9,455	9,014
(Loss) income from operations	(1,252)	1,435
Other income		
Other income	4	1
Total other income	4	1
(Loss) income before state income taxes	(1,248)	1,436
State income taxes	(15)	(24)
Net (loss) income	$ (1,263)	$ 1,412

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

Shipley Franchise Company LLC
Statement of Changes in Member's Equity

(in thousands, unless otherwise noted)

Predecessor

	Member's Equity
Balance at December 31, 2024	$ 91,341
Stock compensation	52
Net income	1,412
Balance at July 27, 2025	$ 92,805

Successor

	Member's Equity
Balance at July 28, 2025	$ 92,805
Settlement of Predecessor incentive-based compensation plan	(535)
Pushdown of SDC Acquisition accounting	30,237
Adjusted balance as of July 28, 2025	$ 122,507
Dividend to parent	(20,235)
Net loss	(1,263)
Balance at December 31, 2025	$ 101,009

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

Shipley Franchise Company LLC
Statement of Cash Flows

(in thousands, unless otherwise noted)	Successor Period From July 28, 2025 to December 31, 2025	Predecessor Period From January 1, 2025 to July 27, 2025
Cash flows from operating activities:		
Net (loss) income	$ (1,263)	$ 1,412
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation expense	282	359
Amortization of intangibles	875	81
Amortization of goodwill	2,808	-
Stock compensation	-	52
Amortization of carrying amount of operating lease right-of-use assets	20	14
Changes in operating assets and liabilities		
Accounts receivable	91	(97)
Prepaid expenses	101	(131)
Deferred commissions and costs	(308)	(292)
Accounts payable	(199)	418
Accrued expenses	(631)	(450)
Deferred franchise fees	364	1,075
Lease liabilities	(15)	(14)
Due from affiliates	(1,957)	(2,030)
Net cash provided by operating activities	168	397
Cash flows from investing activities:		
Purchase of property and equipment	(220)	(240)
Net cash used in investing activities	(220)	(240)
Net change in cash and cash equivalents	(52)	157
Cash and cash equivalents:		
Beginning of period	1,331	1,174
End of period	$ 1,279	$ 1,331
Supplemental disclosure of noncash activity:		
Purchase of property and equipment in accounts payable and accrued expenses	$ 556	$ 40
Dividend to parent	$ 20,235	$ -

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

NOTE 1 - NATURE OF BUSINESS

Shipley Franchise Company LLC (the "Company") was incorporated in 1986 as Shipley Franchise Company (a Texas Corporation) and licenses qualified franchisees to operate retail food and beverage establishments under the name of "Shipley Do-Nuts." Licensed franchisees are located in Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Maryland, Mississippi, Oklahoma, North Carolina, South Carolina, Tennessee, Texas, and Virginia. The Company is wholly owned by SDC Holdco LLC.

SDC Acquisition LLC (collectively with its subsidiaries or "Parent") was formed on June 13, 2025 ("Inception") for the purpose of acquiring SDC Holdco LLC and subsidiaries. On June 13, 2025, the Parent ("Buyer") entered into a Purchase Agreement to acquire 100% of the equity of SDC Holdco LLC (the "Transaction"). The Transaction closed on July 28, 2025 (the "Acquisition Date"). The total consideration was $410,604. In connection with the change in control, the Parent has elected push-down accounting to the Company. The Parent is owned by an investment vehicle of certain private investment funds sponsored and ultimately controlled by Levine Leichtman Capital Partners, LLC (together with its affiliated investment vehicles, "LLCP").

Successor
The period from July 28, 2025 to December 31, 2025 is referred to as the "Successor period" and "Period from July 28, 2025 to December 31, 2025 (Successor)". The Successor period reflects the financial information for the Company ("Successor").

Predecessor
The period from January 1, 2025 to July 27, 2025 reflect the historical financial information for Shipley Franchise Company LLC prior to the closing of the Transaction. These periods are referred to as the "Predecessor period" and "Period from January 1, 2025 to July 27, 2025 (Predecessor)".

The financial statements of the Successor and Predecessor for the period presented herein are not comparable due to the impacts of the Transaction including the application of acquisition accounting in the Successor financial statements as of July 28, 2025. The application of push-down accounting created a new basis of accounting for all assets and liabilities based on their fair value at the date of acquisition. The results are further separated by a black line to indicate the effective date of the new basis of accounting. The new basis of accounting for the assets and liabilities recorded as of the Acquisition Date will be used in the preparation of the Company's future financial statements.

The accompanying financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Any references in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). The Company's net income equals comprehensive income for the periods presented in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Uses of Estimates

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions when preparing financial statements. These estimates and assumptions affect the reported values of assets, liabilities, income and expense, and disclosures of contingent assets and liabilities at the date of the financial statements and for the years then ended. Estimates and assumptions the Company believes to be more significant include those related to the allowance for credit

losses, leases, goodwill, intangible assets, and stock compensation. Actual results could differ from these estimates.

Change in Accounting Policy

As part of the Transaction, the Company adopted the accounting policies of the acquirer. Previously, the company used their incremental borrowing rate for lease measurement. For the Successor period, the company has elected the private company expedient to use the risk-free rate when the rate implicit in the lease is not readily determinable. This change did not result in a material change to earnings in the successor or predecessor period.

Cash and Cash Equivalents

The Company considers cash investments having original maturities of three months or less to be cash equivalents. Cash deposits are held in banks insured by the Federal Deposit Insurance Corporation ("FDIC") and are insured up to certain limits.

Accounts Receivable

The Company's accounts receivable consists of franchise fees and royalties receivable from franchisees. Franchise fees are generally due upon execution of the franchise agreement and royalty fees are due to the Company weekly on the first day of the subsequent sales week. Receivables with due dates extending more than one year from the balance sheet date are recorded as noncurrent in the accompanying balance sheets.

The Company has provided an allowance for expected credit losses as of December 31, 2025, based on the management's expected ultimate recovery of these receivables which includes historical customer collection experience, general and specific economic trends, and known specific issues related to individual customers, sectors, and transactions that might impact collectability. Accounts receivable, net was $203 as of December 31, 2025 (Successor). The balance of allowance for credit losses was $0 as of December 31, 2025 (Successor).

Advertising Costs

Advertising costs are charged to operations as incurred and amounted to $1,468 and $2,822 for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), respectively.

Accrued Expenses

At December 31, 2025 (Successor), accrued expenses are primarily made up of $520 of accrued wages and bonuses, $209 of consulting, legal, and marketing costs and $457 of other accrued expenses.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income. Depreciation is computed using the straight-line method.

The Company periodically reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If there is an

indication of impairment, the undiscounted cash flows are compared to the recorded value of the asset. If the undiscounted cash flows are less than the recorded value of the asset, the asset is reduced to its estimated fair value based on a discounted cash flow analysis. Determining the fair value of long-lived assets includes significant judgement by management, and different judgments could yield different results.

For the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), the Company did not record impairment charges to its property and equipment.

Definite-Lived Intangible Assets

Identifiable intangible assets acquired in a business combination are recorded at their fair values at the date of acquisition.

The Company periodically reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If there is an indication of impairment, the undiscounted cash flows are compared to the recorded value of the asset. If the undiscounted cash flows are less than the recorded value of the asset, the asset is reduced to its estimated fair value based on a discounted cash flow analysis. Determining the fair value includes significant judgement by management, and different judgments could yield different results.

For the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), the Company did not record impairment charges to definite-lived intangible assets.

Successor

Intangible assets consist of the value of the Company's franchise agreements. The intangible assets are amortized over their estimated useful life of 20 years.

Predecessor

Intangible assets consist of the value of the Company's area development rights. The intangible assets are amortized over their estimated useful lives ranging between 10 – 15 years.

Indefinite-Lived Intangibles

In the Predecessor period, franchise rights have an indefinite life and are not amortized. The Company tests for impairment of indefinite-lived intangibles on an annual basis. The Company first assesses qualitative factors to determine whether events and circumstances indicate that it is more likely than not that an indefinite-lived asset is impaired. If it is more likely than not that the asset is impaired, the Company will calculate the fair value of the asset and record an impairment charge if the carrying amount exceeds fair value. For the period from January 1, 2025 to July 27, 2025 (Predecessor), the Company did not record impairment charges to definite-lived intangible assets.

Goodwill (Successor)

Goodwill represents the excess of the purchase price over the fair value of the net assets of a business acquired in a business combination. The Company accounts for goodwill in accordance with the private company alternative accounting approach as provided for in ASU 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*. As such, the Company amortizes goodwill on a straight-line basis over 10 years. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Additionally, under ASU 2014-

02, the Company is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs that indicates that the fair value of the entity or reporting unit may be below its carrying amount. The Company has elected to test goodwill for impairment at the entity level. No triggering events occurred during the Successor Period.

The Company follows the private company accounting alternative for accounting for identifiable intangible assets in a business combination, ASU 2014-18, *Business Combinations*. Under ASU 2014-18, all customer related intangibles and noncompetition agreements may be subsumed to goodwill.

Leases

The Company recognizes a right-of-use asset and a lease liability for leases with duration greater than one year. The Company uses the rate implicit in the lease to calculate the estimated present value of lease payment obligations for all leases and has elected the private company expedient to use the risk-free rate when the rate implicit in the lease is not readily determinable. In determining the risk-free rate, the Company uses the daily U.S. Treasury Rate in effect at the commencement date of the lease for a term which approximates the estimated lease term. The Company has elected to not separate lease and non-lease components (such as common area maintenance) when amounts are fixed, determinable and combined within monthly lease payments.

The Company periodically reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If there is an indication of impairment, the undiscounted cash flows are compared to the recorded value of the asset. If the undiscounted cash flows are less than the recorded value of the asset, the asset is reduced to its estimated fair value based on a discounted cash flow analysis. Determining the fair value of long-lived assets includes significant judgement by management, and different judgments could yield different results.

For the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), the Company did not record impairment charges to its leases.

Member's Equity

In accordance with the Parent's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), the Parent is authorized to issue Class A Units and Class B Units (collectively, the "Units"). Class B Units are granted as incentive units to employees of the Company and its subsidiaries. The Company's Board of Directors ("Board") may, at its discretion, make distributions to holders of outstanding Units, with priority given to Class A Units, followed by incentive units in the form of Class B Units.

Equity-Based Incentive Awards

Successor
In July 2025, SDC Ultimate Holdings L.P. ("Holdings"), an upstream parent of the Company, established an equity incentive plan (the "Plan") in the form of profits interests. Class B Units are granted as incentive units to employees of the Company and its subsidiaries and are allocated between time-vesting units and EBITDA performance vesting units. Compensation cost for the time-vesting units is estimated on the grant date and is recognized as compensation expense on a straight-line basis over the vesting period in the Company's statement of operations. Compensation cost for EBITDA performance vesting units is recognized as compensation expense based on the number of awards that are expected to vest based on the probable outcome of the performance condition in the Company's statement of operations. Forfeitures of awards are recognized as they occur. Within these financial statements, the Company recognizes compensation cost only for employees or nonemployees that provide services to Shipley

Franchise Company LLC. The fair value of these awards is estimated at the grant date using an Option-Pricing Method, as described in the AICPA Practice Aid titled *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The Option-Pricing Model requires judgmental assumptions on the date of grant including volatility, value of underlying equity instrument and expected life.

Predecessor
For the period from January 1, 2025 to July 27, 2025 (Predecessor), SDC Holdco LLC issued units through a unit option plan established SDC Parent LLC, the Ultimate Parent of SDC Holdco LLC. Units available for grant fall into two categories: (1) time-vesting units which vest over a period of time and (2) performance-vesting units. All units granted under the Plan expired 10 years from date of grant. Compensation expense was recognized using the straight-line method for time vesting units. For performance-vesting units, compensation was recognized upon the Company meeting the specified performance conditions. Prior to the closing of the Transaction, this plan was terminated.

Revenue Recognition

Franchise Fees
The Company receives franchise fees upon signing the franchise agreement. The Company's primary obligation under the franchise agreement is granting certain rights to use the Company's intellectual property and its logo "Shipley Do-Nuts." All the other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and, therefore, accounted for as a single performance which is satisfied over the term of the franchise agreement starting when the franchise agreement is signed. Accordingly, franchise fees are recognized ratably over the term of the franchise agreement. This method is applied to initial franchise fees, franchise renewal fees, franchise transfer fees, and franchise area development fees. Franchise fees received in advance of revenue recognition are recorded as deferred franchise fees in the Company's balance sheet.

Royalty Fees
Royalties are calculated as a percentage of sales made by the franchisee over the term of the franchise agreement. The royalties represent sales-based royalties that are related entirely to one performance obligation under the franchise agreement. Royalty fees are recognized at a point in time when sales are made by the franchisee. Such fees are typically collected weekly.

Marketing Cooperative
Cooperative franchises contribute an amount equal to one percent (1.0%) of the gross sales by the franchisee over the term of the franchise agreement. Marketing fees are recognized at a point in time when sales are made by the franchisee. Contributions are typically collected weekly.

Commissions and Costs
Commissions and costs paid to acquire new franchises are capitalized and amortized ratably over the term of the franchise agreement consistent with the recognition of related franchise fee revenue.

Income Taxes

The Company is a wholly owned subsidiary, and its income or loss flows through to its sole member.

The Company is subject to Texas franchise tax, which is considered a state income tax and may be subject to state income taxes in other states.

Fair Value Measurements

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of those instruments or market rates of interest.

Management has determined the fair value of certain assets and liabilities through application of FASB ASC Topic 820, *Fair Value Measurements and Disclosures ("ASC Topic 820")*. Under ASC Topic 820, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose nature is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Valuation techniques utilized to determine fair value are consistently applied. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires the application of management judgment and considers factors specific to the asset or liability. The Company uses fair value to measure certain assets and liabilities on a nonrecurring basis.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company incurred management fees from an affiliated entity totaling $208 and $300 for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), respectively.

The stores under Shipley Restaurant Company, LLC are paying royalty fees to the Company. The royalty revenue from Shipley Restaurant Company, LLC was $286 and $486 for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), respectively.

The stores under Shipley Restaurant Company, LLC are paying marketing cooperative fees to the Company. The marketing cooperative revenue from Shipley Restaurant Company, LLC was $66 and $91 for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), respectively.

For the year ended December 31, 2025, the Company made non-cash capital distributions of $20,236 to Parent. There were no amounts payable as of December 31, 2025.

NOTE 4 – INTANGIBLE ASSETS AND GOODWILL

Intangibles consist of the following as of December 31, 2025 (Successor):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful life
Balance at July 28, 2025	$ -	$ -	$ -	
Franchise agreements	42,000	(875)	41,125	20 years
Balance at December 31, 2025	$ 42,000	$ (875)	$ 41,125	

Amortization expense for intangibles totaled $875 for the period from July 28, 2025 to December 31, 2025 (Successor).

Estimated amortization expense related to definite-lived intangible assets for each of the next five fiscal years and thereafter is as follows:

Years Ending December 31,	Amount
2026	$ 2,100
2027	2,100
2028	2,100
2029	2,100
2030	2,100
Thereafter	30,625
Total	$ 41,125

Predecessor
Prior to the Transaction, the Company had amortization expense for area development rights intangibles of $81 January 1, 2025 to July 27, 2025 (Predecessor). The Company also had franchise rights which had an indefinite life and were not amortized.

Goodwill consists of the following as of December 31, 2025 (Successor):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Balance at July 28, 2025	$ -	$ -	$ -
Shipley Franchise Company LLC acquisition	67,401	(2,808)	64,593
Balance at December 31, 2025	$ 67,401	$ (2,808)	$ 64,593

Amortization expense for goodwill totaled $2,808 for the period from July 28, 2025 to December 31, 2025 (Successor).

Estimated amortization expense related to goodwill for each of the next five fiscal years and thereafter is as follows:

Years Ending December 31,	Amount
2026	$ 6,740
2027	6,740
2028	6,740
2029	6,740
2030	6,740
Thereafter	30,893
Total	$ 64,593

NOTE 5 – LEASES

The Company leases test kitchen space under long-term, non-cancelable operating lease agreement. This lease expires in 2039.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets and lease liabilities on the Company's balance sheets. The Company did not have any finance leases for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor). The Company uses the rate implicit in the lease to calculate the estimated present value of lease payment obligations for all leases and has elected the private company expedient to use the risk-free rate when the rate implicit in the lease is not readily determinable. In determining the risk-free rate, the Company uses the daily U.S. Treasury Rate in effect at the commencement date of the lease for a term which approximates the estimated lease term. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Company's lease agreement does not contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Company has no finance leases, no sublease agreements, and no lease agreements in which it is named as a lessor. The Company performs annual reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Company did not recognize an impairment expense associated with operating lease assets for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor).

For the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), operating lease cost was $39 and $33, respectively.

Other information is as follows:

	2025
Weighted average remaining lease term - operating leases	13.9 years
Weighted average discount rate - operating leases	4.41%

Future minimum lease payments under non-cancellable leases as of December 31, 2025 (Successor) are as follows:

Years Ending December 31,	
2026	$ 63
2027	65
2028	66
2029	68
2030	69
Thereafter	647
Total future minimum lease payments	978
Less: imputed interest	(252)
Total operating lease liabilities	$ 726

NOTE 6 – PROPERTY AND EQUIPMENT

The property and equipment and estimated lives consist of the following as of December 31, 2025 (Successor):

Assets	Estimated Useful Life	December 31, 2025 (Successor)
Furnitures and fixtures	3 years	16
Software and computer equipment	3 years	1,206
Machinery and equipment	5 years	$ 688
Leasehold improvements	5-14 years	388
Construction in progress		461
		2,759
Less accumulated depreciation		(282)
Property and equipment, net		$ 2,477

Depreciation expense amounted to $282 and $359 for the period from July 28, 2025 to December 31, 2025 (Successor) and January 1, 2025 to July 27, 2025 (Predecessor), respectively.

NOTE 7 – INCENTIVE-BASED COMPENSATION

Successor
The Company has the authority to grant certain key employees and board members Class B Units as part of its compensation and incentives agreements. A Class B Unit represents an interest in ownership of Holdings and, therefore, the right to receive a percentage of profits from Holdings without having to contribute capital. However, Class B Units do not have voting rights. Within these financial statements,

the Company recognizes compensation cost only for employees or non-employees that provide services to Shipley Franchise Company LLC.

Class B Units granted are allocated between time-vesting units and EBITDA performance vesting units. The Class B Units are equity-classified awards.

The fair value of the unit options is estimated at the date of grant using the Black-Scholes-Merton option pricing model and compensation expense is recognized over the related vesting periods. The following assumptions were used to recognize compensation expense for awards granted during the period from July 28, 2025 through December 31, 2025 (Successor): dividend yield of 0%, expected volatility of 60.0%, risk-free interest rate of 3.85%, and an expected unit term of 6.3 years.

During the period from July 28, 2025 to December 31, 2025 (Successor), 4,184 units with a weighted-average exercise price per unit of $1,000 and a weighted-average grant-date fair value per unit of $710 were granted. No units were exercised or forfeited during the period.

Compensation expense amounted to $0 for the period from July 28, 2025 to December 31, 2025 (Successor). Unrecognized compensation expense related to non-vested time-vesting units amounted to $997 at December 31, 2025. The weighted average remaining life of all unvested options was 4.68 years as of December 31, 2025.

Predecessor
During the period from January 1, 2025 to July 27, 2025 (Predecessor), there were no units granted, exercised or forfeited. Compensation expense for the time-vesting units amounted to $52 for the period from January 1, 2025 to July 27, 2025 (Predecessor).

NOTE 8 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2026, the date which the financial statements were available to be issued and has determined that no additional disclosures are required.

Shipley Franchise Company LLC

Financial Report
December 31, 2024

weaver
Assurance • Tax • Advisory

C O N T E N T S

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Houston, Texas 77027
713-850-8787

Independent Auditor's Report

To the Member of
Shipley Franchise Company LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shipley Franchise Company LLC, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in member's equity, 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 Shipley Franchise Company LLC as of December 31, 2024 and 2023, and the results 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 Shipley Franchise Company 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 Shipley Franchise Company LLC's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date of 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 Shipley Franchise Company LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shipley Franchise Company'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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 31, 2025

Financial Statements

Shipley Franchise Company LLC

Balance Sheets
December 31, 2024 and 2023
(in thousands)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,174	$ 1,512
Accounts receivable, net	197	333
Due from affiliates	16,248	10,353
Prepaid expenses	199	130
Deferred commissions and costs	80	69
Total current assets	17,898	12,397
PROPERTY AND EQUIPMENT, NET	1,363	1,733
NONCURRENT ASSETS		
Deferred commissions and costs, net of current portion	760	437
Intangible assets, net	79,944	80,084
Operating lease right-of-use assets, net	438	31
Total noncurrent assets	81,142	80,552
TOTAL ASSETS	$ 100,403	$ 94,682
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 360	$ 441
Accrued expenses	1,271	898
Deferred franchise fees	533	319
Current portion of long-term debt	-	208
Current portion of operating lease liabilities	23	28
Total current liabilities	2,187	1,894
NONCURRENT LIABILITIES		
Deferred franchise fees, net of current portion	6,460	3,898
Operating lease liabilities, net of current portion	415	-
Total noncurrent liabilities	6,875	3,898
Total liabilities	9,062	5,792
MEMBER'S EQUITY	91,341	88,890
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 100,403	$ 94,682

The Notes to Financial Statements
are an integral part of these statements.

Shipley Franchise Company LLC

Statements of Income
Years Ended December 31, 2024 and 2023
(in thousands)

	2024	2023
REVENUES		
Royalty fees	$ 13,796	$ 12,635
Marketing cooperative	3,199	763
Franchise fees	444	265
Other revenues	8	10
Total revenues	17,447	13,673
OPERATING EXPENSES		
Depreciation and amortization	921	933
General and administrative	9,075	7,637
Marketing expenses	4,351	1,618
Stock compensation	185	90
Management fees	575	420
Total operating expenses	15,107	10,698
Income from operations	2,340	2,975
OTHER (EXPENSES) INCOME		
Other income (expenses)	12	(40)
Interest expense	(2)	(13)
Total other income (expenses)	10	(53)
Income before state income taxes	2,350	2,922
State income taxes	(84)	(35)
NET INCOME	$ 2,266	$ 2,887

The Notes to Financial Statements
are an integral part of these statements.

Shipley Franchise Company LLC

Statements of Changes in Member's Equity
Years Ended December 31, 2024 and 2023
(in thousands)

	Member's Equity
BALANCE, January 1, 2023	$ 85,913
Stock based compensation	90
Net income	2,887
BALANCE, December 31, 2023	88,890
Stock based compensation	185
Net income	2,266
BALANCE, December 31, 2024	$ 91,341

The Notes to Financial Statements
are an integral part of these statements.

Shipley Franchise Company LLC

Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(in thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,266	$ 2,887
Adjustments to reconcile net income to net cash provided by operating activities		
Interest expense capitalized into note payable	2	5
Depreciation expense	781	794
Amortization of intangibles	140	139
Stock compensation	185	90
Amortization of the carrying amount of operating lease right-of-use assets	32	117
Changes in operating assets and liabilities		
Accounts receivable	136	97
Prepaid expenses	(69)	(44)
Deferred commissions and costs	(334)	(262)
Accounts payable	(81)	256
Accrued expenses	373	432
Deferred franchise fees	2,776	348
Lease liabilities	(29)	(120)
Due from affiliates	(5,895)	(3,125)
Net cash provided by operating activities	283	1,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(411)	(269)
Net cash used in investing activities	(411)	(269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	(210)	(212)
Net cash used in financing activities	(210)	(212)
Net (decrease) increase in cash	(338)	1,133
CASH AND CASH EQUIVALENTS, beginning of year	1,512	379
CASH AND CASH EQUIVALENTS, end of year	$ 1,174	$ 1,512
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for income taxes	$ 84	$ 35
Cash paid for interest	$ 20	$ 20
Initial recognition of right of use asset and lease liability	$ 439	$ -

The Notes to Financial Statements
are an integral part of these statements.

Shipley Franchise Company LLC

Notes to Financial Statements
(in thousands, unless otherwise noted)

Note 1. Nature of Business

Shipley Franchise Company LLC (the Company) was incorporated in 1986 as Shipley Franchise Company (a Texas Corporation) and licenses qualified franchisees to operate retail food establishments under the name of "Shipley Do-Nuts." Licensed franchisees are located in Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Maryland, Mississippi, New Mexico, Oklahoma, South Carolina, Tennessee and Texas.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual events and results could differ from those assumptions and estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less.

The Company maintains cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Effective January 1, 2023, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-13: Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") and its subsequent amendments (collectively, "ASC Topic 326"), which requires that financial assets measured at cost be presented at the net amount expected to be collected. ASU 2016-13 is intended to provide more timely decision-useful information about the expected credit losses on financial instruments. The Company elected to utilize the modified retrospective approach, and the adoption of the standard had no impact on the financial statements as of December 31, 2023.

The Company's accounts receivable consists of franchise fees and royalties receivable from franchisees. Franchise fees are generally due upon execution of the franchise agreement and royalty fees are due to the Company weekly on the first day of the subsequent sales week. Receivables with due dates extending more than one year from the balance sheet date are recorded as noncurrent in the accompanying balance sheets. The accounts receivable, net balance as of January 1, 2023 was $430.

At December 31, 2024 and 2023, the allowance for expected losses totaled $0 and $6, respectively.

The Company has provided an allowance for expected credit losses as of December 31, 2024 and 2023, based on the management's expected ultimate recovery of these receivables which includes historical customer collection experience, general and specific economic trends, and known specific issues related to individual customers, sectors, and transactions that might impact collectability.

Property and Equipment

Property and equipment are recorded at cost. Acquisitions, improvements, and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income. Depreciation is provided over the estimated useful life of 3 – 5 years and is computed using the straight-line method. Depreciation expense amounted to $781 and $794 for the years ended December 31, 2024 and 2023, respectively.

Impairment of Long-Lived Assets

The Company evaluates the impairment of its property and equipment and other long-lived assets in accordance with FASB Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*. An impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable from its future undiscounted cash flows and measured as the difference between the carrying amount and the fair value of the asset. For the years ended December 31, 2024 and 2023, the Company did not record impairment charges to its property and equipment.

Advertising Costs

Advertising costs are charged to operations as incurred and amounted to $4,351 and $1,618 for the years ended December 31, 2024 and 2023, respectively, and are included in marketing expenses in the statements of income.

Fair Value Measurements

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and debt. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of those instruments or market rates of interest.

Management has determined the fair value of certain assets and liabilities through application of FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820). Under ASC Topic 820, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure the fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose nature is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Valuation techniques utilized to determine fair value are consistently applied. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires the application of management judgment and considers factors specific to the asset or liability. The Company uses fair value to measure certain assets and liabilities on a nonrecurring basis. See Notes 2 and 8 for disclosures about fair value measurements performed on a non-recurring basis.

Revenue Recognition

Franchise Fees: The Company receives franchise fees upon signing the franchise agreement. The Company's primary obligation under the franchise agreement is granting certain rights to use the Company's intellectual property and its logo "Shipley Do-Nuts." All the other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and, therefore, accounted for as a single performance which is satisfied over the term of the franchise agreement. Accordingly, franchise fees are recognized ratably over the term of the franchise agreement. This method is applied to initial franchise fees, franchise renewal fees, franchise transfer fees, and franchise area development fees. Franchise fees received in advance of revenue recognition are recorded as deferred franchise fees in the Company's balance sheets.

Royalty Fees: Royalties are calculated as a percentage of sales made by the franchisee over the term of the franchise agreement. The royalties represent sales-based royalties that are related entirely to one performance obligation under the franchise agreement. Royalty fees are recognized at a point in time when sales are made by the franchisee. Such fees are typically collected weekly**.**

Marketing Cooperative: Cooperative franchises contribute an amount equal to one percent (1.0%) of the gross sales by the franchisee over the term of the franchise agreement. Marketing fees are recognized at a point in time when sales are made by the franchisee. Contributions are typically collected weekly.

Commissions and Costs: Commissions and costs paid to acquire new franchises are capitalized and amortized ratably over the term of the franchise agreement consistent with the recognition of related franchise fee revenue.

Income Taxes

The Company is a wholly owned subsidiary and its income or loss flows-through to its sole member.

The Company is subject to Texas franchise tax, which is considered a state income tax and may be subject to state income taxes in other states.

The Company accounts for uncertainty in income taxes in accordance with ASC 740, *Income Taxes*. The guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure and there are no material amounts of unrecognized tax benefits.

The Company records income tax related interest and penalties as a component of the provision for income taxes. The Company did not record any income tax related interest or penalties in the accompanying statements of income. The Company believes that there are no tax positions taken, or expected to be taken, that would significantly increase or decrease the unrecognized tax benefits within twelve months of the reporting date.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or member's equity.

Note 3. Related Party Transactions

The Company incurred management fees from an affiliated entity totaling $575 and $420 during the years ended December 31, 2024 and 2023, respectively. At December 31, 2024, and 2023, the Company had net receivables of $16,248 and $10,353 respectively, for expenses it incurred on behalf of the affiliates.

The stores under Shipley Restaurant Company, LLC are paying royalty fees to the Company. The royalty revenue from Shipley Restaurant Company, LLC was $740 and $760 during the years ended December 31, 2024 and 2023, respectively.

Note 4. Intangible Assets

Intangible assets consist of the following:

	2024	2023
Area development rights	$ 1,812	$ 1,812
Less: accumulated amortization	(468)	(328)
Area development rights, net	1,344	1,484
Franchise rights	78,600	78,600
Intangibles, net	$ 79,944	$ 80,084

The franchise rights have an indefinite life and are not amortized. The Company tests for impairment of indefinite-lived intangibles on an annual basis. The Company first assesses qualitative factors to determine whether events and circumstances indicate that it is more likely than not that an indefinite-lived asset is impaired. If it is more likely than not that the asset is impaired, the Company will calculate the fair value of the asset and record an impairment charge if the carrying amount exceeds fair value. For the years ended December 31, 2024 and 2023, no impairment charge was recorded to its intangible assets.

The area development rights (ADR) are amortized over the estimated useful life ranging between 10 –15 years.

Amortization expense for the years ended December 31, 2024, and 2023 amounted to $140 and $139, respectively.

Future amortization is as follows:

Years Ending December 31,	Amount
2025	$ 139
2026	139
2027	139
2028	139
2029	139
Thereafter	649
Total	$ 1,344

Note 5. Note Payable

The Company has a note payable to the seller of the ADR (see Note 4) due in four annual installments of $200 beginning March 31, 2021. At December 31, 2024 and 2023, the principal balance due is $0 and $200, respectively. The note bears interest at 5% per annum. Interest is payable annually together with principal payments.

Note 6. Leases

The Company leases an office space under long-term, non cancelable operating lease agreement. This lease expires in 2034.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets and lease liabilities on the Company's balance sheets. The Company did not have any finance leases during the year ended December 31, 2024. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of the Company's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Company has no finance leases, no sublease agreements, and no lease agreements in which it is named as a lessor. The Company performs annual reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Company did not recognize an impairment expense associated with operating lease assets during 2024.

The components of lease expense, cash flow information, and other information for the year-ended December 31, 2024 were as follows:

Lease cost		
Operating lease cost (included in operating expenses)	$	31
Weighted-average remaining lease term - operating leases		9.8 years
Weighted-average discount rate - operating leases		9.50%

Future minimum lease payments under non-cancellable leases as of December 31, 2024 were as follows:

Years Ending December 31,		
2025	$	61
2026		63
2027		64
2028		65
2029		67
Therafter		352
Total future minimum lease payments		672
Less: imputed interest		(234)
Total operating lease liabilites	$	438

Note 7. Concentrations of Credit Risk

The Company maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Insurance Deposit Corporation up to $250. At December 31, 2024 and 2023, the Company's uninsured cash balances were $773 and $666, respectively.

Note 8. Unit-Based Compensation

Unit Option Plan: SDC Parent LLC, the Ultimate Parent of SDC Holdco LLC, established a unit option plan (the Plan) through which certain of the Company's directors, officers, managers and employees are eligible to receive option units to purchase units of the Ultimate Parent's equity interest.

Units available for grant fall into two categories: (1) time-vesting units which vest over a period of time and (2) performance-vesting units. All units granted under the Plan expire 10 years from date of grant.

Compensation expense is recognized using the straight-line method for time vesting units. For performance-vesting units, compensation expense is recognized upon the Company meeting the specified performance conditions.

Effective July 1, 2024, the Company repriced its options to reflect the reduction in equity value due to the 2024 distribution at SDC Holdco LLC. The strike price for the outstanding options ranges between $248 to $1,052.

In accordance with ASC 718, *Stock Compensation*, the change in the strike price of the options met the criteria for the Company to reprice the outstanding options. The additional compensation cost for the excess of the fair value of the modified share options issued over the fair value of the original share options is added to the remaining unrecognized compensation cost. As of December 31, 2023, the fair value of the outstanding options was $504. Due to the modification in the strike price, the fair value of the options increased to $663 as of July 1, 2024. The additional $159 per unit will be recognized over the term of the options.

The fair value of the unit options is estimated at the date of grant using the Black-Scholes-Merton option pricing model and compensation expense is recognized over the related vesting periods. The following assumptions were used for recognition of compensation expense for awards granted during the year ended December 31, 2024 and 2023:

	2024	2023
Dividend yield	0%	0%
Expected volatility	58.0%	58.0%
Risk free interest rate	5.10%	3.94%
Expected term of units (in years)	5	5

The following is a summary the unit option awards outstanding as of December 31, 2024 and 2023:

	Number of units	Weighted average exercise price per unit	Weighted average grant date fair value per unit
January 1, 2023	4,000	$ 1,000	$ 440
January 1, 2023 fair value modification	4,000	577	504
Granted	350	920	504
Exercised	-	-	-
Forfeited	(2,250)	(577)	504
December 31, 2023	2,100	644	504
Granted	1,075	1,023	663
Exercised	(360)	248	663
Forfeited	(590)	277	663
December 31, 2024	2,225	$ 860	$ 663

Compensation expense amounted to $185 and $90 for the years ended December 31, 2024 and 2023, respectively; and unrecognized compensation expense related to non-vested time-vesting units amounted to $1,216 and $972 at December 31, 2024 and 2023, respectively. The weighted average remaining life of all unvested options was 3.8 years and 3.7 years as of December 31, 2024 and 2023, respectively.

There were 285 options vested for the year-ended December 31, 2024. There were 335 options vested for the year-ended December 31, 2023.

Note 9. Subsequent Events

The Company has evaluated subsequent events through March 31, 2025, the date which the financial statements were available to be issued and has determined that no additional disclosures are required.

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF CURRENT FRANCHISEES
(as of December 31, 2025)

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Greenvale Road Donut Inc	2050 Greenvale Road	Hoover	Alabama	35216	(205) 822-2142
Glazed For Life, LLC	1010 Memorial Pkwy N	Huntsville	Alabama	35801	(256) 583-2670
Individual Christopher Mok	612 S St Louis	Batesville	Arkansas	72501	(870) 793-3336
Thavs Shipley Donuts LLC	611 Office Park Dr	Bryant	Arkansas	72022	(501) 847-7272
Individual Kong Rithisey	302 Union St	Dardanelle	Arkansas	72834	(978) 866-4212
Individual Vanthaury Chum	1427 Highway 62/65 North	Harrison	Arkansas	72601	(870) 204-5020
Davin Sokha	998 Shady Grove Rd #A	Hot Springs	Arkansas	71901	(501) 701-4006
Dw Corporation	1005 Albert Pike Rd	Hot Springs	Arkansas	71913	(501) 623-1916
Sakada Kong Dba	1205 S Caraway Rd	Jonesboro	Arkansas	72401	(870) 203-6124
Shipley Donut Hilltop	3410 E Johnson Ave	Jonesboro	Arkansas	72401	(870) 972-4767
Shipley Donuts Sw	401 Southwest	Jonesboro	Arkansas	72401	(870) 268-1414
Tera Heang Shipley Donuts	2404 Stadium Blvd	Jonesboro	Arkansas	72401	(870) 933-7444
Individual Lux Chut	8523 W Markham	Little Rock	Arkansas	72205	(501) 227-4123
Fresh Donuts, Inc.	8211 Geyer Springs	Little Rock	Arkansas	72209	(501) 570-7730
Ratna Chheav	7710 Cantrell Rd	Little Rock	Arkansas	72227	(501) 664-5353
Shipley Do-Nuts Schackleford	1424 N Shackleford Rd.	Little Rock	Arkansas	72211	(501) 224-1359
Individual Thai Av	4131 John F. Kennedy Blvd.	N. Little Rock	Arkansas	72116	(501) 747-1153
Maumelle Donuts, Inc.	13120 Crystal Hill Rd	N. Little Rock	Arkansas	72113	(501) 771-1518
Individual Sochea Kong	1223 Malcolm Ave	Newport	Arkansas	72112	(870) 217-4098
Individual Sopheak Chum	1300 S Main	Pine Bluff	Arkansas	71601	(870) 850-7373
Individual Sokchamnan Hap	2119 W. Walnut	Rogers	Arkansas	72756	(479) 621-0808
Konghauteng Inc.	407 N Arkansas Ave	Russellville	Arkansas	72801	(479) 880-0885
Individual Pat Nounpa	2214 E Race Ave	Searcy	Arkansas	72143	(501) 268-1999
Sony Chey Donuts, LLC	8611 Hwy 107 #101	Sherwood	Arkansas	72116	(501) 834-5235
Individual Pros Chhim	2103 S Main	Stuttgart	Arkansas	72160	(870) 672-7224
Vannakyen Shipley Donut LLC	1703 Arkansas Blvd.	Texarkana	Arkansas	71854	(870) 330-4440

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Meisternuts, LLC	4296 N Academy Blvd	Colorado Springs	Colorado	80918	(719) 598-0597
Meisternuts, LLC	11010 Cross Peak View	Colorado Springs	Colorado	80921	(719) 357-7719
Meisternuts, LLC	7955 Fountain Mesa Road	Fountain	Colorado	80817	(719) 382-9165
Virentes Donut Ulmerton, LLC	4000 Ulmerton Rd	Clearwater	Florida	33762	(727) 202-6445
Virentes Do-Nuts Jax #1	12667 Beach Blvd	Jacksonville	Florida	32246	(904) 551-1629
Virentes Donut S Semoran LLC	2255 S. Semoran Blvd.	Orlando	Florida	32822	(407) 270-8707
Morrow Enterprises, LLC	2723 Dawson Rd.	Albany	Georgia	31707	(229) 304-4028
Sweet Donuts Investments, Inc.	3225 Keith Bridge	Cumming	Georgia	30041	(470) 839-2135
De Pebbles Of Baton Rouge Inc	6100 Masonic	Alexandria	Louisiana	71301	(318) 448-2218
De Pebbles Of Baton Rouge Inc	3223 South McArthur Dr.	Alexandria	Louisiana	71301	(318) 442-1253
Pebbles Development LLC	4110 Jackson St.	Alexandria	Louisiana	71301	(318) 443-3461
Baton Rouge Do-Nuts LLC	5565 Essen Lane	Baton Rouge	Louisiana	70808	(225) 256-0007
Davany, LLC	3629 Nelson Rd	Lake Charles	Louisiana	70605	(337) 419-1991
Dwm Enterprises, LLC	2561 Metairie Rd	Metairie	Louisiana	70001	(504) 264-7351
De Pebbles Of Baton Rouge Inc	3200 Monroe Hwy	Pineville	Louisiana	71360	(318) 704-6294
Mid-Atlantic Do-Nuts, LLC	9110 Piscataway Rd.	Clinton	Maryland	20735	(240) 651-6973
Mid-Atlantic Do-Nuts, LLC	102 Mountain Rd.	Glen Burnie	Maryland	21060	(240) 331-5467
Mid-Atlantic Do-Nuts, LLC	1099 Annapolis Rd & 473 Higgen	Odenton	Maryland	21113	(410) 870-9139
Hoac Meng, LLC	896 Vee Street	Biloxi	Mississippi	39532	(228) 967-7205
Ibt Enterprise, Inc	103 Hwy 80 East	Clinton	Mississippi	39056	(601) 925-0020
SamLLC	213 Promenade Blvd.	Flowood	Mississippi	39232	(769) 572-5043
Tricia & Wesley Mcgaugh, Inc	1401 Ms-1	Greenville	Mississippi	38701	(662) 378-2603
Kern Enterprises, Inc.	5263 Old Hwy 11	Hattiesburg	Mississippi	39402	(601) 336-7158
Kern Enterprises Inc.	2011 Hardy St.	Hattiesburg	Mississippi	39401	(601) 545-1891
Sam 2, LLC	775 Lake Harbor Dr 157	Ridgeland	Mississippi	39157	(601) 790-7611
Ashworth & Ashworth LLC	418 Hwy 12 East	Starkville	Mississippi	39759	(662) 324-6003

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Heavenly Do-Nuts Inc	25 Optical Ct Nw	Concord	North Carolina	28025	(980) 248-1052
Oklahoma Donut Company, LLC	2001 Nw Cache Rd.	Lawton	Oklahoma	73507	(580) 699-3999
Yinde, LLC	5750 Northwest Expressway	Oklahoma City	Oklahoma	73132	(405) 506-0747
Greenwood Donuts, LLC	913 Montague Ave	Greenwood	South Carolina	29649	(864) 337-1703
Spartanburg Do-Nuts No. One, LLC	1631 John B. White Blvd	Spartanburg	South Carolina	29301	(864) 285-0298
Chanboromey Kha	2055 Wilma Rudolph Blvd	Clarksville	Tennessee	37040	(931) 896-2097
Individual Sovanndy Keo	2197 Madison St	Clarksville	Tennessee	37043	(931) 647-1114
Belmont Do-Nuts LLC	1010 N Germantown Pkwy	Cordova	Tennessee	38018	(901) 730-0213
Individual Soleaphy Keam	797 W. Main Street	Hendersonville	Tennessee	37075	(615) 826-9969
Individual Steve Uy	2540 Old Lebanon Rd	Nashville	Tennessee	37214	(615) 883-5823
Virentes Hospitality, LLC	971 Church Street Suite C1.17	Nashville	Tennessee	37203	(615) 412-3400
Great Sales Corporation	1479 E Highway 6	Alvin	Texas	77511	(281) 824-8007
Alimentos Integrados, LLC	2808 SW 34th Avenue	Amarillo	Texas	79109	(806) 599-6433
Angle Corporation	921 North Velasco	Angleton	Texas	77515	(979) 849-4412
Hungry Donuts, LLC	501 E. Abram	Arlington	Texas	76010	(817) 274-7746
Ktj Development, Inc	2140 E. Pioneer Pkwy	Arlington	Texas	76010	(817) 583-6619
Ps Do-Nuts - Providence Village, LLC	26621 Us-380	Aubrey	Texas	76227	(945) 310-2509
Cream Filled, LLC	13341 W Us Hwy 290, Suite 1101	Austin	Texas	78737	(512) 541-1119
G & S Do-Nuts, LLC	7717 SW Pkwy.	Austin	Texas	78735	(512) 369-3069
Jsk Donuts 2, Inc.	1700 W. Parmer Lane	Austin	Texas	78753	(512) 584-8125
Jsk Donuts, Inc.	1045 Norwood Park Blvd	Austin	Texas	78753	(512) 833-8046
Just 4 Jones LLC	1945 W. William Cannon Dr.	Austin	Texas	78745	(512) 551-2435
Ksjr Chen, LLC	2113-A Anderson Ln	Austin	Texas	78757	(512) 371-7667
Manncap Donut Tx, LLC	10019 W Parmer Lane	Austin	Texas	78717	(512) 218-4944
Rithy Chang Enterprises LLC	10401 Anderson Mill	Austin	Texas	78750	(512) 219-9170

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Smcp Investments, LLC	8213 Brodie Ln	Austin	Texas	78745	(512) 233-6887
Donuts-Bastrop, LLC	460 State Hwy 71 B	Bastrop	Texas	78602	(512) 409-3102
K & H Donuts Inc.	7930 N Hwy 146	Baytown	Texas	77523	(281) 573-3800
P & H Donuts Inc.	4402 Garth Rd.	Baytown	Texas	77521	(281) 428-1993
Ybarra Investment Group LLC	5151 East Freeway	Baytown	Texas	77521	(281) 837-5722
So & Bin, LLC	3485 College St.	Beaumont	Texas	77701	(409) 832-2595
Jaimez & Company, LLC	925 N. Industrial Blvd.	Bedford	Texas	76021	(817) 545-2944
Dough Daddy LLC	3620 Rr 620 South	Bee Cave	Texas	78738	(512) 358-1486
Individual George Abercia	4501 Bissonnet	Bellaire	Texas	77401	(713) 665-2530
Konh Group, Inc.	5225 Bellaire Blvd	Bellaire	Texas	77401	(713) 664-3308
T Loop 340 Group, LLC	600 N. Loop 340	Bellmead	Texas	76705	(254) 412-0022
Awe Management	521 E. 6th Ave	Belton	Texas	76513	(254) 939-6965
Prima Porta Capital LLC	1560 River Rd.	Boerne	Texas	78006	(830) 331-7477
Taing Group LLC	200 Martin Luther King Jr Pkwy	Brenham	Texas	77833	(979) 251-7342
Msk Enterprise, Inc.	29907 Jordan Crossing Boulevard Suite 900	Brookshire	Texas	77423	(281) 375-9051
Sf Donuts, LLC	5430 Fm359 South, Suite 900	Brookshire	Texas	77423	(346) 637-8180
Sagora & Kim Management, LLC	109 America Drive	Brownsville	Texas	78526	(956) 546-1550
Evergreen Interest, Ltd	210 E. Villa Maria Road.	Bryan	Texas	77801	(979) 779-6170
Evergreen Interest, Ltd	3001 Wild Flower Dr	Bryan	Texas	77802	(979) 776-6170
Jason Wilson Group LLC	1245 Main Street	Buda	Texas	78610	(512) 312-9393
Chan Lim, Inc.	1500 W. Hebron Pkwy	Carrollton	Texas	75010	(972) 492-2345
R Tho Donut, Inc.	2501 N. Josey Lane	Carrollton	Texas	75006	(972) 242-3424
Sheldon Donuts, LLC	441 Sheldon Rd	Channelview	Texas	77530	(346) 789-6144
Thomas Lim Corporation	1829 El Dorado Blvd.	Clear Lake City	Texas	77062	(281) 286-7040
3ts Management LLC	113 N. Washington Ave.	Cleveland	Texas	77327	(832) 480-5330
Hun Suon Corporation	620 Brazosport Boulevard South	Clute	Texas	77531	(979) 265-2822

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Hun Suon Corporation	706 Dixie Drive	Clute	Texas	77531	(979) 297-9035
Evergreen Interest, Ltd	1716 Southwest Parkway	College Station	Texas	77840	(979) 693-6170
Evergreen Interest, Ltd	1760 Greens Prairie Rd.	College Station	Texas	77845	(979) 690-1760
Donuts Bellaire, LLC	1336 Fannin	Columbus	Texas	78934	(979) 733-0267
Andy Chang	4489 W. Davis St.	Conroe	Texas	77304	(936) 494-1932
Breaktime Donuts LLC	2550 Fm 1488	Conroe	Texas	77384	(281) 565-1111
Individual James Carter	14420 Tx-105	Conroe	Texas	77306	(936) 242-0750
Jordan Ranch Donuts Pkwy LLC	850 S Loop 336 W	Conroe	Texas	77304	(936) 224-5459
P & T Management, Inc.	518 E Davis	Conroe	Texas	77301	(936) 521-6986
P & T Management, Inc.	1031 Loop 336 West	Conroe	Texas	77301	(936) 756-7794
Shipley's Grangerland Inc	16980 Fm 3083	Conroe	Texas	77302	(936) 242-0749
Individual Zakir Mehmood	7875 Kitty Hawk Rd, Suite 101	Converse	Texas	78109	(210) 257-0165
Jt Donuts, Inc.	3113 S. Staples	Corpus Christi	Texas	78404	(361) 855-8077
Sunshine Donuts, Inc.	1722 Rodd Field Rd	Corpus Christi	Texas	78412	(361) 452-2501
Sunshine Donuts, Inc.	5625 Saratoga Blvd	Corpus Christi	Texas	78414	(361) 991-1125
Crosby Lynchburg Donut, Inc.	13731 Fm 2100 Rd	Crosby	Texas	77532	(281) 462-8250
Barker Cypress Do-Nut Shop	10750 Barker Cypress	Cypress	Texas	77433	(281) 256-2408
Fm 529 Do-Nuts, LLC	20303 Fm 529 Rd	Cypress	Texas	77433	(832) 906-6622
Rosehill Do-Nut Corporation	26321 Northwest Frwy	Cypress	Texas	77429	(281) 256-0082
Telge Do-Nut Corporation	12827 Telge Rd.	Cypress	Texas	77429	(281) 213-4400
Vll Management, LLC	21910 West Road, Ste 100	Cypress	Texas	77433	(832) 653-3850
Domo Donuts & Mochi Donuts, LLC	10332 Ferguson Rd	Dallas	Texas	75228	(214) 319-8003
Preston Donuts, LLC	17848 Preston Rd	Dallas	Texas	75252	(214) 945-8579
Great Sales Corporation	3555 Gulf Frwy	Dickinson	Texas	77539	(281) 614-0144
Deals With Dough, LLC	1900 W University Dr	Edinburg	Texas	78539	(956) 378-9300

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Series 4 - Shipley Donuts Edinburg					
Ma Donuts, LLC	300 E. Edinburg Ave	Elsa	Texas	78543	(956) 255-4080
Hot Glazed Ennis Inc	901 East Ennis Ave	Ennis	Texas	75119	(469) 456-0977
Jshk Inc	3300 Se Loop 820	Forest Hill	Texas	76140	(817) 568-4752
Crowley SD, LLC	7701 Crowley Rd	Fort Worth	Texas	76134	(817) 439-9354
Mc820 Donuts, LLC	2401 Nw Loop 820, Ste 100	Fort Worth	Texas	76106	(832) 800-3777
Odtu Donuts LLC	9728 Bluemound Rd.	Fort Worth	Texas	76131	(817) 615-9394
Rtgmd Group, LLC	8201 N Beach St.	Fort Worth	Texas	76244	(817) 562-3044
Tnezion Enterprise Inc.	4224 Miller Ave	Fort Worth	Texas	76119	(817) 386-7577
Big A Corporation	806 N Brazosport Blvd	Freeport	Texas	77541	(979) 239-1283
Lakeolympia Donuts, LLC	602 Lake Olympia Pkwy	Fresno	Texas	77459	(713) 869-4636
Individual Kent Mahasena	212-D S. Friendswood Drive	Friendswood	Texas	77546	(832) 569-5945
Chan Lim Cu, LLC	8155 Custer Rd. Ste. 100	Frisco	Texas	75035	(214) 785-7097
Sf Donuts, LLC	6300 Fm 1463	Fulshear	Texas	77441	(281) 505-0712
S & K Clinton Corporation	2215 Clinton Dr.	Galena Park	Texas	77547	(713) 674-0205
Chhoeu, Inc.	5401 Broadway	Galveston	Texas	77551	(409) 740-4276
Dtj Group LLC	5949 Broadway Blvd Suite 130	Garland	Texas	75043	(972) 212-4161
Kongny LLC	4750 N. Jupiter	Garland	Texas	75044	(972) 414-6268
Chhin Donuts 2 LLC	3308 Williams Dr	Georgetown	Texas	78628	(512) 819-0770
Chhin Donuts 2 LLC	1011 Leander Road	Georgetown	Texas	78628	(512) 809-0900
Beaty Ent Inc	604 E Northwest Hwy	Grapevine	Texas	76051	(817) 527-5444
Danny Chang Investments Inc	420 E. Fm 2410	Harker Heights	Texas	76548	(254) 690-6900
Phan Kear Management, Inc.	1522 S. 77 Sunshine St.	Harlingen	Texas	78550	(956) 423-6652
Alba Management, LLC	11881 Bandera	Helotes	Texas	78023	(210) 695-6472
Alimentos Integrados, LLC	525 N. 25 Mile Ave Unit B	Hereford	Texas	79045	(806) 360-4285
L & C Capital Management LLC	22618 Farm To Market 2920	Hockley	Texas	77447	(281) 547-8631
Pcl Enterprises, LLC	17160 Becker Rd	Hockley	Texas	77447	(281) 758-5008

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Msk Enterprise, Inc.	1901 S Shepherd	Houston	Texas	77019	(346) 324-5297
1209 Dairy Ashford Do-Nut, Inc.	1209 S Dairy Ashford	Houston	Texas	77077	(281) 589-9770
1960 S&L Management, LLC	2339 F.M. 1960 West	Houston	Texas	77068	(281) 440-1820
288 Ardmore Corp.	6655 Ardmore	Houston	Texas	77021	(713) 497-5391
9643 Westheimer Do-Nut, LLC	9643 Westheimer	Houston	Texas	77063	(713) 781-9722
Airline Donuts Corporation	11431 Airline	Houston	Texas	77037	(281) 931-4315
Alexander Hang & Somna E Hang	826 Little York	Houston	Texas	77076	(713) 692-3611
Antoine Sue Corporation	7220 Antoine	Houston	Texas	77088	(281) 445-6437
Beltway 8 Shipley Donuts Corporation	1602 Genoa Red Bluff	Houston	Texas	77034	(281) 998-0450
Breaktime Donuts LLC	13646 Bissonnet St.	Houston	Texas	77083	(281) 506-7187
Brighteyed Bakery, LLC	4701 Almeda Rd.	Houston	Texas	77004	(713) 993-6995
Chhin Pung Do-Nut Corporation	5823 Gulf Frwy	Houston	Texas	77087	(713) 926-3560
Dbl-Hcl, L.P.	9557 Fm 1960	Houston	Texas	77070	(281) 955-0318
Dss Donuts Inc.	3417 Aldine Mail Rt.	Houston	Texas	77039	(281) 809-5400
Fc249 Donut Shop, Lp	13639 State Highway 249	Houston	Texas	77086	(281) 272-5000
Fondren 59 Donut, Inc.	7505 Southwest Freeway	Houston	Texas	77074	(713) 541-0500
Gessner Donut Shop Corp	8128a N Sam Houston Pkwy W	Houston	Texas	77064	(281) 890-8888
Half Dozen Donuts, LLC	5513 Richmond Ave.	Houston	Texas	77056	(713) 781-4880
Heang Lim	8802 Stella Link	Houston	Texas	77025	(713) 661-5267
Huffmeister Do-Nut Corporation	10807 Huffmeister Rd.	Houston	Texas	77065	(281) 653-9606
Individual Kent Mahasena	10895 Fuqua	Houston	Texas	77089	(713) 944-7510
Individual Vanny Im	11551 Bissonnet	Houston	Texas	77099	(281) 568-6634
Jensen Lim & Sue Corporation	8601 Jensen Dr.	Houston	Texas	77093	(713) 742-8315
Kll-Hcl, L.P.	6400 Hyw 6 North	Houston	Texas	77084	(281) 859-5654
Konh Group Development LLC	8606 Almeda Rd.	Houston	Texas	77054	(346) 269-2965

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Konh Group,Inc	6115 Telephone Rd.	Houston	Texas	77087	(713) 644-9666
Kristine Corporation	6115 Washington Ave.	Houston	Texas	77007	(713) 869-8622
Mackinaw Enterprises, Inc.	1629 Gessner	Houston	Texas	77080	(713) 932-0905
Mesa Lim Corporation	8901 Mesa Dr.	Houston	Texas	77028	(713) 633-0580
Millstone Donut Inc	2503 Fm 1960 East	Houston	Texas	77073	(281) 645-8680
Mlk Donuts Inc	6411 M.L. King	Houston	Texas	77033	(713) 738-2248
Msk Enterprises, Inc	11568 Bellaire Blvd.	Houston	Texas	77072	(281) 498-6471
Msk Enterprises, Inc	6734 Hwy 6	Houston	Texas	77083	(281) 879-5300
Msk Enterprises, Inc	2321 Hwy 6 South	Houston	Texas	77077	(281) 679-7080
Msk Enterprises, Inc	3932 N. Main	Houston	Texas	77009	(713) 862-4655
Msk Enterprises, Inc	9979 Beechnut	Houston	Texas	77036	(713) 773-2282
Myshipleydonuts, Inc.	12403 Westheimer Rd.	Houston	Texas	77077	(713) 589-3292
Nicks Donut Shop, LLC	15727 Wallisville Rd	Houston	Texas	77049	(281) 864-5353
Njsp, Inc	8247 Long Point Rd.	Houston	Texas	77055	(713) 468-1223
Old Chocolate Bayou Donut, Inc.	14450 Old Chocolate Bayou Rd, Suite Tbd	Houston	Texas	77048	(346) 324-5296
Pcl Enterprises, LLC	19015 Tomball Pkwy	Houston	Texas	77070	(832) 688-5166
Pearland L & L Corporation	8410 Hall Rd	Houston	Texas	77075	(713) 987-9797
Pinemont Donut Shop Corporation	5302 Bingle Road	Houston	Texas	77092	(713) 686-5600
Rankin, Lim, & Suon, L.P.	121 W. Rankin Rd	Houston	Texas	77090	(281) 873-8786
Rosabella's Donut Shop LLC	14555 W Lake Houston Parkway	Houston	Texas	77044	(832) 328-8478
Shipley Management-Ella Inc	3410 Ella Blvd.	Houston	Texas	77018	(713) 682-4343
Somna's Donuts Corp	5341 Airline Dr.	Houston	Texas	77022	(713) 691-3491
South Main Bakery, Inc.	9203 South Main	Houston	Texas	77054	(713) 666-9203
South Post Oak Bakery, LLC	10517 South Post Oak Rd.	Houston	Texas	77035	(713) 728-9366
Spring Do-Nut, Inc.	3040 Fm 1960 East	Houston	Texas	77073	(281) 443-7350

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Ten-Rock Do-Nut, Inc.	8135 Katy Freeway	Houston	Texas	77024	(346) 204-4606
Tharavuth LLC	2538 S Voss Rd.	Houston	Texas	77057	(713) 435-0085
Tidwell Lim & Sue Corporation	6619 Tidwell Rd.	Houston	Texas	77016	(713) 635-4493
Tripley Donuts LLC	10993 Northwest Freeway	Houston	Texas	77092	(713) 482-7388
Tunnel-Nuts, Inc.	1001 Mckinney	Houston	Texas	77002	(713) 651-3033
Uh Donuts Inc.	3726 Scott Street	Houston	Texas	77004	(713) 748-7076
W. Fuqua Donut, Inc.	4410 W. Fuqua	Houston	Texas	77045	(713) 433-0095
West Airport Blvd. Do-Nut, Inc.	5847 W. Airport	Houston	Texas	77035	(713) 729-2381
West Mount Donut Shop Corporation	1401 W Mt Houston	Houston	Texas	77038	(281) 931-7000
Westway Park Do-Nut, Inc	4410 Westway Park, Suite 300	Houston	Texas	77041	(346) 409-2805
Yale Do-Nuts, LLC	2723 Yale	Houston	Texas	77008	(713) 677-0577
Zsr Donut, Inc.	11617 Katy Frwy	Houston	Texas	77079	(281) 596-0096
D&S Donuts, Inc.	3811 Fry Road	Houston	Texas	77449	(281) 599-9995
Atascocita Road Do-Nut, Inc.	7211 Atascocita Rd.	Humble	Texas	77346	(281) 852-6166
Breaktime Donuts LLC	10525 N Sam Houston Pkwy E	Humble	Texas	77396	(281) 809-3863
Cypress Jle Management, LLC	6500 Fm 1960 W. Humble	Humble	Texas	77338	(281) 836-5341
Humble Do-Nut, Inc.	19399 Hwy 59 North	Humble	Texas	77338	(281) 548-2502
Manor Way Donut, Inc.	15135 Old Humble Rd	Humble	Texas	77396	(281) 441-2622
Shipley's Humble, Inc.	17155 Eastex Fwy Suite D	Humble	Texas	77396	(936) 355-6017
Timber Forest Do-Nut, Inc.	5415 Fm 1960 East	Humble	Texas	77346	(281) 852-7587
Michael Williams And Cornelius Jenkins	113 Avenue M	Huntsville	Texas	77340	(936) 291-0797
Michael Williams And Cornelius Jenkins	3011 11th Street	Huntsville	Texas	76549	(936) 291-0026
Meridiana Donuts Pkwy, LLC	2002 Meridiana Parkway	Iowa Colony	Texas	77583	(832) 892-0750
S & K Clinton Corporation	10705 Market Street	Jacinto City	Texas	77029	(713) 672-0065

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Copperas Cove Shipley Do-Nuts LLC.	11775 Ih-35	Jarrell	Texas	76537	(254) 518-1180
Andrew Hang	8223 Jones Road	Jersey Village	Texas	77065	(281) 272-6599
D&S Donuts, Inc.	20077 Katy Frwy.	Katy	Texas	77450	(281) 492-6186
D&S Donuts, Inc.	1135 Mason Rd.	Katy	Texas	77450	(281) 828-3031
Katy Mills Donuts, Incorporated	1997 Katy Mills Blvd	Katy	Texas	77494	(832) 913-3068
R & R Firethorne, Inc.	1433 Fm 1463	Katy	Texas	77494	(281) 574-2770
R&R Cinco Donuts, Inc.	27110 Cinco Ranch Blvd	Katy	Texas	77494	(281) 394-5002
Taing Group LLC	3011 West Grand Parkway North	Katy	Texas	77449	(281) 655-7619
Vll Management, LLC	4019 Pitts Rd Suite 101	Katy	Texas	77493	(281) 574-1832
D & N Management LLC	4704 Benjamin Drive	Killeen	Texas	76547	(254) 213-0190
D & N Management LLC	1301 W Central Texas Expy	Killeen	Texas	76541	(254) 213-0406
D & N Management LLC	2400 South W.S. Young Dr	Killeen	Texas	76542	(254) 213-2878
Danny Chang Investments Inc	4201 E Rancier Ave	Killeen	Texas	76543	(254) 432-4971
North Park Do-Nut, Inc.	1755 Northpark Dr	Kingwood	Texas	77339	(281) 312-1903
Jason Wilson Kyle LLC	4520 S Fm 1626	Kyle	Texas	78640	(512) 256-5252
Dar & Dyn, LLC	2600 Fm 1764	La Marque	Texas	77568	(409) 440-8694
La Porte Donut, Inc.	120 N. Hwy 146	La Porte	Texas	77571	(281) 842-9522
Double Swan Corporation	210 State Highway 332	Lake Jackson	Texas	77566	(979) 299-6266
Manncap Donut Tx, LLC	920 Fenwick Dr.	Laredo	Texas	78041	(956) 704-5038
Chatime Donuts, LLC	915 E. Main	League City	Texas	77573	(281) 332-4141
Great Sales Corporation	1507 League City Pkwy	League City	Texas	77573	(713) 962-8002
G & S Do-Nuts Southbrook Station, LLC	144 South Brook Drive, Suite 140	Leander	Texas	78641	(512) 456-0393
G & S Do-Nuts, LLC	15237 Ronald Reagan Blvd, Building Op1 Ste 702	Leander	Texas	78641	(512) 425-0600
Hwy 121 Donut, Inc.	1302 S. Hwy 121	Lewisville	Texas	75067	(972) 436-6626
Ssl Corporation	3001 Judson Rd	Longview	Texas	75605	(903) 663-4321

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Ssl Corporation	3357 Gilmer Rd	Longview	Texas	75604	(903) 759-0354
Ssl Corporation	325 North Spur 63	Longview	Texas	75601	(903) 753-0871
Gliscious Donuts, LLC	8710 University Ave.	Lubbock	Texas	79423	(817) 307-1029
Gliscious Donuts, LLC	5911 19th Street	Lubbock	Texas	79407	(806) 993-5144
Mai Enterprises, Inc	609 S Timberland Drive	Lufkin	Texas	75901	(936) 238-2602
Ybarra Capital, LLC - Series 1	835 North Main Street	Lumberton	Texas	77657	(409) 227-0153
Chhay Harry, Inc.	3303 E Main	Madisonville	Texas	77864	(936) 348-2260
Hok Management, Inc.	5403 Farm To Market Rd 1488	Magnolia	Texas	77354	(281) 259-4252
P & T Management, Inc.	13774 Jordan Lewis Way	Magnolia	Texas	77354	(346) 301-0598
P & T Management, Inc.	706 Magnolia Blvd	Magnolia	Texas	77355	(281) 259-4401
Lang & Sarah LLC	11300 Hwy 290	Manor	Texas	78653	(512) 953-5499
Konh Enterprise, Inc	19429 Highway 6	Manvel	Texas	77578	(832) 892-0750
Sedona Lake Donuts, LLC	10447 Bailey Rd	Manvel	Texas	77578	(832) 336-5241
Deals With Dough, LLC Series 1 - Shipley Donuts Mcallen	1501 North 10th St.	Mcallen	Texas	78501	(956) 687-2011
Andrewtes Inc	5000 COLLIN Mckinney PKWY	Mckinney	Texas	75070	(469) 466-2500
Ps Do-Nuts - Shoppes At Virginia, LLC	3801 Virginia Pkwy	Mckinney	Texas	75071	(954) 304-4996
SM Inc	405 W. Main	Mesquite	Texas	75149	(972) 285-4744
Gliscious Donuts, LLC	5210 Wadley	Midland	Texas	79707	(432) 218-6023
Gliscious Donuts, LLC	2201 W. Wall St.	Midland	Texas	79701	(432) 218-6426
Deals With Dough, LLC Series 3 - Shipley Donuts Mission	2575 E Griffin Pkwy	Mission	Texas	78572	(956) 271-1006
Cp Waters, Inc	2822 Sienna Parkway #110	Missouri City	Texas	77459	(281) 832-1211
Cp Sienna Inc.	9011 Highway 6	Missouri City	Texas	77459	(281) 778-2444
Nfc Ventures LLC	2451 Fm 1092	Missouri City	Texas	77459	(281) 499-8091
Texas Parkway Donut Corporation	1701 Fm 2234	Missouri City	Texas	77489	(281) 499-5234

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Breaktime Donuts LLC	3514 Briarwood Bend	Mont Belvieu	Texas	77523	(832) 501-2990
Ept Management Inc.	502 Eva Street	Montgomery	Texas	77356	(936) 597-5557
Ept Management Inc.	15243 Hwy 105	Montgomery	Texas	77356	(936) 588-6498
Ssd Donuts Inc	763 Fish Creek Thoroughfare	Montgomery	Texas	77316	(936) 206-7196
Precinct Hwy Donut, LLC	6417 Precinct Line Road	N Richland Hill	Texas	76182	(817) 849-2464
Thomas Lim	1358 Nasa Rd. 1	Nassau Bay	Texas	77058	(281) 333-3172
New Braunfels Shipley Donuts Inc.	1280 Ih 35 South	New Braunfels	Texas	78130	(830) 620-9930
New Braunfels Shipley Donuts Inc.	263 Loop 337	New Braunfels	Texas	78130	(830) 626-8644
Sweet Lily, LLC	3201 Commercial Circle	New Braunfels	Texas	78132	(830) 625-2538
New Caney Do-Nuts, Inc.	20132 Fm 1485 Rd	New Caney	Texas	77357	(832) 793-5100
Individual Sokhom Ky	2913 Mcarthur BLVD	Orange	Texas	77630	(409) 886-0400
Pantego Donut, Inc.	2524 W. Park Row	Pantego	Texas	76013	(817) 274-4814
Richey Shipley Donut Corporation	211 Richey St	Pasadena	Texas	77506	(713) 473-3353
Spencer Do-Nut, Inc.	3933 Spencer Hwy	Pasadena	Texas	76549	(713) 941-6479
Kingsley Mlm, Corp	12568 Broadway	Pearland	Texas	77584	(281) 741-0270
Pearland L & L Corporation	3409 E. Broadway	Pearland	Texas	77581	(281) 485-7135
Pearland L & L Corporation	9501 Broadway	Pearland	Texas	77584	(281) 485-6464
Lang & Sarah LLC	1912 W. Pecan St.	Pflugerville	Texas	78660	(512) 252-6329
Deals With Dough, LLC Series 2 - Shipley Donuts Pharr	800 S Cage Blvd	Pharr	Texas	78577	(956) 787-0502
Pinehurst Donuts, LLC	35502 Fm 149 Rd, Building D, Suite 103	Pinehurst	Texas	77362	(281) 789-7212
New Depot LLC	1881 N. Central Expy	Plano	Texas	75075	(469) 298-0400
Khorn, LLC	2737 Memorial Blvd.	Port Arthur	Texas	77642	(409) 982-3251
Khorn Tran, LLC	2370 Nall St	Port Neches	Texas	77651	(409) 722-9100

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Hwy 59 North Donut, Inc.	23668 U.S. Highway 59	Porter	Texas	77365	(281) 354-5605
PS Do-Nuts-Light Farms, LLC	1440 W. Frontier Pkwy	Prosper	Texas	75078	(832) 795-0481
Ratd Group, LLC	502 N. I-35 E. Rd.	Red Oak	Texas	75154	(469) 820-9116
Grand Pkwy, LLC	10815 West Grand Parkway South Ste 100	Richmond	Texas	77407	(346) 467-2040
Breaktime Donuts LLC	20619 Bellaire Blvd.	Richmond	Texas	77407	(832) 451-6860
Msk Enterprises, Inc	8002 Fm 1464	Richmond	Texas	77407	(832) 944-6834
Msk Enterprises, Inc	9825 S Mason Road	Richmond	Texas	77469	(281) 239-3150
Waco Tr Group, LLC	649 N Robinson Drive	Robinson	Texas	76706	(254) 662-4200
Cp Thefountains, Inc	27905 Southwest Fwy	Rosenberg	Texas	77471	(832) 727-9277
Msk Enterprises, Inc	4519 Reading Rd.	Rosenberg	Texas	77471	(281) 342-3695
Oliver Archer Group, LLC	15003 Sh-6 N	Rosharon	Texas	77583	(281) 710-4284
Q&C Donuts Inc.	3250 E Palm Valley Blvd	Round Rock	Texas	78665	(512) 218-0231
Odtu Donuts LLC	240 S. Saginaw Blvd.	Saginaw	Texas	76179	(682) 224-5656
Chea, LLC	2407 East Evans Road	San Antonio	Texas	78259	(210) 255-1655
Individual Sopheap Mang	1134 Culebra Rd	San Antonio	Texas	78201	(210) 736-0059
Alba Management, LLC	9702 Huebner Rd	San Antonio	Texas	78254	(210) 690-1989
B & B Taing, LLC	14088 Nacogdoches Rd	San Antonio	Texas	78247	(210) 599-0320
Breaktime Donuts LLC	8915 Bandera Rd.	San Antonio	Texas	78250	(210) 251-3887
David Donut Shop, LLC	6362 Dezavala Rd.	San Antonio	Texas	78249	(210) 600-3978
Edwin Kear Management, Inc.	14314 Potranco Road # 101	San Antonio	Texas	78245	(603) 521-4516
Individual David Taing	20711 Wilderness Oak	San Antonio	Texas	78258	(210) 481-0706
Kear-Prum Management, Inc.	8802 Potranco Road	San Antonio	Texas	78251	(210) 647-1119
Kem & Seng Two, LLC	1218 West Bitters Rd	San Antonio	Texas	78216	(210) 492-7900
Lay Do-Nut Fm 78 Corporation	5253 Walzem Rd	San Antonio	Texas	78218	(210) 646-7324
Lay Do-Nut Fm 78 Corporation	6531 Fm 78	San Antonio	Texas	78244	(210) 661-2055

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Major Austin Hwy Corporation	315 E. Commerce	San Antonio	Texas	78205	(210) 908-9339
Major Austin Hwy Corporation	1240 Austin Hwy.	San Antonio	Texas	78209	(210) 805-8222
Malika Kear Management, Inc	11440 Potranco Rd	San Antonio	Texas	78253	(210) 332-5494
Oriana Kear Management Inc.	6846 Alamo Pkwy	San Antonio	Texas	78253	(210) 290-8082
Redland Shipley Do-Nuts, Inc.	2815 N. Loop 1604 E	San Antonio	Texas	78232	(210) 545-2605
Shipley Do-Nuts Chheng & Vanna Sok	6346 Bandera Rd	San Antonio	Texas	78238	(210) 520-2009
Wurzbach Donut Shop LLC	10918 Wurzbach	San Antonio	Texas	78230	(210) 699-1073
San Marcos Shipley Donuts Inc.	1602 Aquarena Springs Dr	San Marcos	Texas	78666	(512) 393-5010
San Marcos Shipley Donuts Inc.	401 West Hopkins	San Marcos	Texas	78666	(512) 393-5011
Darney Poch	13200 Hwy 6	Santa Fe	Texas	77510	(409) 927-1824
3009 Dough, Ltd.	17319 Ih-35 North	Schertz	Texas	78154	(210) 599-9898
Seabrook Circle Do-Nuts Shop Corporation	2106 Seabrook Circle	Seabrook	Texas	77586	(281) 474-3750
Bulverde C Do-Nut, LLC	130 S. Hwy 123 Bypass	Seguin	Texas	78155	(830) 406-2195
3ts Management LLC	23806 Aldine Westfield	Spring	Texas	77373	(832) 663-5074
Cjl Partners LLC	24345 Gosling Rd.	Spring	Texas	77389	(832) 698-1542
Cjl Partners LLC	9116 N. Grand Parkway West	Spring	Texas	77379	(346) 808-5826
Fresh Dough, LLC	7141 Louetta Rd	Spring	Texas	77379	(281) 257-3091
L & C Ventures, LLC	1800 Louetta	Spring	Texas	77388	(281) 907-0009
Ljl Management LLC	3235 Riley Fuzzel Rd	Spring	Texas	77386	(281) 288-9528
Plv Investments, Inc.	5037 Fm 2920	Spring	Texas	77388	(281) 355-0258
Prima Porta Capital LLC	326 Singing Oaks	Spring Branch	Texas	78070	(830) 438-3700
Manncap Donut Tx, LLC	3607 S. Main St.	Stafford	Texas	77477	(281) 969-7160
Manncap Donut Tx, LLC	611 Dulles Ave	Stafford	Texas	77477	(281) 261-9700
Brazos 59 Donut LLC	19875 Southwest Frwy	Sugar Land	Texas	77479	(281) 545-9102
Individual Vanny Im	11315 Hwy 6 South	Sugar Land	Texas	77478	(281) 494-1474

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Manncap Donut Tx, LLC	3147 Hwy 6 South	Sugar Land	Texas	77478	(281) 980-1806
Telfair Donut LLC	6512 Highway 90a	Sugar Land	Texas	77498	(281) 277-9474
Dara Group, LLC	1005 Marlandwood Rd	Temple	Texas	76502	(254) 771-3688
Taing Group LLC	115 N. 31st Street	Temple	Texas	76504	(254) 773-4451
Trich Ii, Inc.	5 Meadowbrook Dr. Ste A	Temple	Texas	76502	(254) 613-4509
Terrell Donut, Inc.	507 W. Moore Ave	Terrell	Texas	75160	(972) 551-0502
Heng, Inc.	2319 Palmer Hwy.	Texas City	Texas	77590	(409) 945-7551
Rtgd Group, LLC	4911 Main St.	The Colony	Texas	75056	(469) 287-2970
Hok Management, Inc.	7901 Research Forest	The Woodlands	Texas	77381	(281) 367-1660
Hok Management, Inc.	3707 College Park Dr.	The Woodlands	Texas	77384	(936) 271-1215
Plv Investments, Inc.	25119 Grogan's Mill Rd	The Woodlands	Texas	77380	(281) 466-2527
Cjl Partners LLC	25011 Fm 2978	Tomball	Texas	77375	(281) 547-8980
L & C Ventures, LLC	10806 Spring Cypress	Tomball	Texas	77375	(281) 257-5996
Ljl Management LLC	25417 Kuykendahl Rd	Tomball	Texas	77375	(832) 717-6411
Pcl Enterprises, LLC	28517 State Hwy 249	Tomball	Texas	77375	(281) 255-0490
Rady, Inc.	5119 S Troup Hwy	Tyler	Texas	75707	(903) 630-6281
Rady, Inc.	1700 Tx-323 Loop	Tyler	Texas	75701	(903) 566-0006
A & D Taing, LLC	1303 Pat Booker Rd	Universal City	Texas	78148	(210) 560-2234
Victoria Kim Bakery, LLC	2601 N. Navarro	Victoria	Texas	77901	(361) 894-6386
Waco Tr Group, LLC	8810 Woodway Dr	Waco	Texas	76712	(254) 741-1740
S.H.D Investment, Inc	1205 Speight Ave.	Waco	Texas	76706	(254) 752-5629
S.H.D. Investment, Inc.	1800 W. Waco Dr	Waco	Texas	76701	(254) 753-3900
T 19th Street Group, LLC	5102 N 19th St	Waco	Texas	76708	(254) 732-4107
T China Spring Group, LLC	10300 China Springs Rd.	Waco	Texas	76708	(254) 836-1596
T Valley Mills Group, LLC	1924 N. Valley Mills Dr.	Waco	Texas	76710	(254) 741-0707
The Seam Group, Inc.	1441 S. Valley Mills	Waco	Texas	76711	(254) 714-2660
Waller Do-Nut Corporation	19757 Stokes Rd	Waller	Texas	77484	(936) 372-3905
Denton Hwy Donut Inc.	6308 Denton Hwy	Watauga	Texas	76148	(817) 605-1919

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Shop Phone
Moliny Kong, Inc	3301 Kemp	Wichita Falls	Texas	76308	(940) 386-2222
Ept Management Inc.	12339 I-45 N	Willis	Texas	77318	(936) 856-7999
Nr Mask, LLC	8004 Timberlake Rd	Lynchburg	Virginia	24502	(434) 849-7341

Signed But Not Opened As of December 31, 2025

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Phone
Manncap Donut Fl, LLC	TBD	TBD	Florida		(281) 687-0886
Ginto II LLC	TBD	Alpharetta	Georgia		(607) 262-0468
Bc Restaurant Holdings, L.L.C.	850 Benton Road	Bossier City	Louisiana	71111	(318) 464-4994
Bayou Bakeries LLC	TBD	New Orleans	Louisiana		(713) 476-2843
Avalone Mao	2715 76 Country Blvd	Branson	Missouri	65616	(978) 427-3571
Trinity Treats, LLC	TBD	Las Vegas	Nevada		(702) 370-4488
Manncap Donut Nm, LLC	5011 Montgomery Blvd	Albuquerque	New Mexico	87109	(281) 687-0886
Manncap Donut Nm, LLC	TBD	Albuquerque	New Mexico		(281) 687-0886
Ikrambir & Harpreet Aulakh	TBD	TBD	North Carolina		(832) 474-2375
G&S Do-Nuts 2222 LLC	3401 Northland Dr	Austin	Texas	78731	(214) 763-0254
G & S Do-Nuts, LLC	16820 Sweetwater Village Dr	Austin	Texas	78738	(214) 763-0254
Evergreen Interest, Ltd	1526 W Villa Maria Rd	Bryan	Texas	77802	(979) 229-2869
Rgk Sd, LLC	516 Belt Line Rd Suite 600	Cedar Hill	Texas	75104	(832) 620-0333
Jordan Ranch Donuts Pkwy LLC	11545 Plum Grove Rd	Cleveland	Texas	77327	(281) 760-6811
Vll Management, LLC	TBD	Conroe	Texas		(832) 381-0002
Msk Enterprise, Inc	6819 Hollow Oaks	Conroe	Texas	77385	(713) 817-5649
Dencor Development LLC	TBD	Dallas	Texas		(214) 732-9267
Sprinkle Party LLC	TBD	Dallas	Texas		(713) 837-6516
The Shipley Group Inc	TBD	Dallas	Texas		(469) 556-1575
Angie (Maria) Silva	6500 Montana Ave., Building C, Suite 101	El Paso	Texas	79925	(979) 709-2436
Noel Silva And Associates, LLC	1710 N Zaragoza Rd., Suite 106	El Paso	Texas	79936	(979) 709-2436
Kabani Group Restaurant LLC	303 N Main St	Highlands	Texas	77562	(713) 478-2193
Emily Yanna Donuts, LLC	TBD	Houston	Texas		(281) 760-6811
Jle Vetmemo LLC	TBD	Houston	Texas	77014	(281) 731-6167

Entity Name	Street Address	City	State / Province	Zip / Postal Code	Phone
Jordan Ranch Donuts Pkwy LLC	16117 E Sam Houston Pkwy N.	Houston	Texas	77044	(281) 760-6811
Tidwell Donuts, LLC	9627 CE King Pkwy	Houston	Texas	77044	(281) 760-6811
Lyna Mcguire	13390 CITYSCAPE AVE	Houston	Texas	77047	(832) 274-5084
Breaktime Donuts LLC	5426 ARTHINGTON AVE.	Houston	Texas	77053	(832) 630-2253
Breaktime Donuts LLC	2835 Barker Cypress Rd.	Houston	Texas	77084	(832) 630-2253
Chan Lim Ir, LLC	TBD	Irving	Texas		(859) 489-2131
Vll Management, LLC	TBD	Katy	Texas		(832) 381-0002
Taing Katyhok LLC	5015 Katy Hockley Cut Off Rd	Katy	Texas	77493	(979) 277-8546
Klam Group Texas LLC	29641 Hwy Blvd Suite 300	Katy	Texas	77494	(281) 760-6811
Manncap Donut Tx, LLC	TBD	Laredo	Texas		(281) 687-0886
Sophirith Tes	TBD	League City	Texas	77573	(713) 962-6437
PS DO-NUTS - THE LANDING AT Mckinney, LLC	9401 West University Drive	Mckinney	Texas	75071	(713) 252-8689
Shipley's Midlothian, Inc.	TBD	Midlothian	Texas		(979) 321-2467
Msk Enterprise, Inc	SWC Hwy 6 & Darby	Missouri City	Texas	77545	(713) 817-5649
Breaktime Donuts LLC	TBD	Montgomery	Texas	77316	(832) 630-2253
Breaktime Donuts LLC	Hwy 59 & Speed Street	New Caney	Texas	77357	(832) 630-2253
Breaktime Donuts LLC	2120 Pasadena Fwy.	Pasadena	Texas	77506	(832) 630-2253
Taing Rich Group LLC	TBD	Richmond	Texas		(979) 277-8546
Msk Enterprise, Inc	6801 Reading Rd	Rosenberg	Texas	77471	(713) 817-5649
Breaktime Donuts LLC	7817 FM 521, Suite B	Rosharon	Texas	77583	(832) 630-2253
Acevedo Services LLC	TBD	San Antonio	Texas		(832) 875-0702
Danny Do-Nuts N Foster I 10, LLC	6131 IH-10N Foster Rd	San Antonio	Texas	78244	(832) 758-2378
Randy, Inc.	5304 Old Bullard Rd	Tyler	Texas	75703	(903) 830-1939
Lim 222 Investment Inc.	2347 South New Road	Waco	Texas	76711	(936) 827-7811
Mid-Atlantic Donuts, LLC	256 Maple Ave E	Vienna	Virginia	22180	(301) 318-7888

List of Trademark Specific Franchisee Organizations

Shipley Franchise Advisory Council Franchisor Sponsored m.kafka@shipleydonuts.com

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF FORMER FRANCHISEES
(as of December 31, 2025)

Owner Name	City	State / Province	Zip / Postal Code	Phone	Reason
Greg Smith	Baton Rouge	Louisiana	70806	(225) 278-1016	Ceased Operations for Other Reasons
Bryan Adkins	Cedar Park	Texas	78613	(512) 296-4222	Ceased Operations for Other Reasons
Chhhun Bun	El Dorado	Arkansas	71730	(870) 866-8944	Ceased Operations for Other Reasons
Jeff Howes	Aurora	Colorado	80015	(720) 936-7103	Ceased Operations for Other Reasons
Abe Carter	Bay City	Texas	77414	(979) 450-9583	Transfer and Ceased Operations for Other Reasons
Tommy Konh	Norman	Oklahoma	73069	(713) 702-5567	Ceased Operations for Other Reasons
Aman Dhuka	Colleyville	Texas	76034	(832) 630-2253	Ceased Operations for Other Reasons
Danny Chang	Seguin	Texas	78155	(936) 494-5763	Transfer
Marie Hul	Biloxi	Mississippi	39532	(832) 715-5817	Transfer
Robert Hamlett	Jacksonville	Florida	32246	(904) 214-6377	Transfer
Michael Ung	Texarkana	Arkansas	71854	(214) 635-7777	Transfer
Sopheap Chem	Bay City	Texas	77414	(832) 538-3316	Transfer
Mike Burns	Orlando	Florida	32822	(407) 808-9789	Transfer
Phalyn Pao	Stafford	Texas	77477	(281) 236-3681	Transfer
Bethy Haklar	N Richland Hill	Texas	76182	(254) 716-3032	Transfer
Lianne Chang	Houston	Texas	77041	(832) 381-0002	Transfer
Tharith Konh	Rosharon	Texas	77583	(281) 760-6811	Transfer
Hoat Chea	Houston	Texas	77039	(281) 975-7006	Transfer
Jeff January	Waco	Texas	76708	(254) 723-0727	Transfer
Vuthy Preap	Houston	Texas	77057	(832) 566-8049	Transfer
Kim Lam	Oklahoma City	Oklahoma	73132	(832) 423-1215	Transfer
Jeff January	Bellmead	Texas	76705	(254) 723-0727	Transfer
Ann Chhin	Missouri City	Texas	77459	(832) 533-6463	Transfer
Phalyn Pao	Stafford	Texas	77477	(281) 236-3681	Transfer
Phalyn Pao	Sugar Land	Texas	77478	(281) 236-3681	Transfer
Jeff January	Waco	Texas	76710	(254) 723-0727	Transfer
Jeff January	Waco	Texas	76708	(254) 723-0727	Transfer
Jessica Williams	Dallas	Texas	75228	(214) 228-9670	Transfer
Bryan Adkins	Austin	Texas	78717	(512) 296-4222	Transfer
Aman Dhuka	San Antonio	Texas	78250	(832) 630-2253	Transfer
David Yanna	Laredo	Texas	78041	(713) 572-7751	Transfer

EXHIBIT F
TO FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE AGENCIES

LIST OF STATE AGENCIES

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with 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

Department of Financial Protection
and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
866-275-2677

CONNECTICUT

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

FLORIDA

Florida Department of Agriculture &
Consumer Services
Attn: Finance & Accounting
407 South Calhoun Street
Tallahassee, Florida 32399-0800

HAWAII

Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn.: Franchise Section
525 West Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933

MINNESOTA

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEBRASKA

Nebraska Department of
Banking and Finance
Commerce Court
1526 K Street, Suite 300
P.O. Box 95006
Lincoln, Nebraska 68509

NEW YORK

NYS Department of Law
Investment Protection Bureau
28 Liberty Street, 21st Fl
New York, New York 10005
212-416-8222

NORTH CAROLINA

North Carolina Secretary of State
2 South Salisbury Street
Raleigh, NC 27601-2903

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
State Capitol
600 East Boulevard Avenue, Fourteenth Floor,
Dept 414
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

RHODE ISLAND

Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84111

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, WA 98504-1200

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT G
TO FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with 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 4th Street, Suite 750
Los Angeles, CA 90013-2344

CONNECTICUT

Banking Commissioner of State of
Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 6th Floor
525 West Ottawa Street
Lansing, Michigan 48933

MINNESOTA

Commissioner of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEW YORK

Secretary of State of
the State of New York
99 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 14th Floor, Dept 414
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

RHODE ISLAND

Director
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT H
TO THE FRANCHISE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

THIS AGREEMENT ("**Agreement**") is made and entered into as of _____ by and between SHIPLEY FRANCHISE COMPANY LLC, a Delaware limited liability company located at 55 Waugh Dr. Suite 1200, Houston, Texas 77007 (the "**Franchisor**"), and _____, a _____ with a principal address at _____ (hereinafter referred to as "**Releasor**"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**: Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Shipley Franchise Company LLC, Shipley Do-Nut Flour and Supply Co LLC, and any parent, affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Shipley Franchise Company LLC, Shipley Do-Nut Flour and Supply Co LLC, and any parent, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. The law of the state of where Franchisor's principal headquarters is then-located shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed exclusively in the federal or state court having jurisdiction where the Franchisor's then-current principal place of business is then located.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

7. If Releasor is domiciled or has his or her principal place of business in the State of California, then Releasor hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

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

RELEASOR:

_____

Name:_____

SHIPLEY FRANCHISE COMPANY LLC

By:_____
Name:_____
Title:_____

EXHIBIT I
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE ADDENDA TO DISCLOSURE DOCUMENT

ADDITIONAL DISCLOSURES FOR CALIFORNIA

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

2. See the cover page of the disclosure document for Shipley Franchise Company LLC's website address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

3. **Item 3, Additional Disclosure.** The following statement is added to Item 3:

Neither Shipley Franchise Company LLC nor any person listed 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 parties from membership in such association or exchange.

4. **Item 6, Additional Disclosures.** The following statement is added to Item 6:

The maxinum interest rate allowed by law in California is 10% annually.

5. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

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

The Franchise Agreement and Multi-Shop Development Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

The Franchise Agreement and Multi-Shop Development Agreement contain a covenant not to compete which extends beyond the expiration or termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreements require application of the laws of the state where our principal headquarters is then-located. These provisions may not be enforceable under California law.

The Franchise Agreement and Multi-Shop Development Agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release if you transfer your franchise rights. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professional Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

6. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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 DISCLOSURES FOR ILLINOIS

1. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

Any provision in the Multi-Shop Development Agreement or the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action that is otherwise enforceable in Illinois. In addition, Illinois law will govern the Multi-Shop Development Agreement and the Franchise Agreement.

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

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Each provision of these Additional Disclosures will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.

ADDITIONAL DISCLOSURES FOR INDIANA

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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 DISCLOSURES FOR MARYLAND

1. **Item 5, Additional Disclosures.** The following statements are added to Item 5:

Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and intial payments by developers shall be deferred until the first franchise under the Multi-Shop Development Agreement opens.

2. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

The Franchise Agreement and Multi-Shop Development Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against Shipley Franchise Company LLC, including upon renewal or transfer, does not release any claim you may have 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.

3. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. Each provision of these Additional Disclosures will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

ADDITIONAL DISCLOSURES FOR MICHIGAN

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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 DISCLOSURES FOR MINNESOTA

The Special Risk Factor page is revised to include the following:

Unopened Franchises: The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

1. **Initial Fees**. The following statement is added to Item 5:

The franchisor is required to defer the collection of initial fees until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business.

2. **Trademarks.** The following statement is added to Item 13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

3. **Notice of Termination.** The following statement is added to Item 17:

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 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 agreements.

4. **Choice of Forum and Law.** The following statement is added to the State Cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. **General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us 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. **Waiver of Right to Jury Trial.** The following statement is added to Item 17:

Minnesota Rule 2860.4400J, among other things, prohibits us from requiring you to waive your rights to a jury trial.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of $30 on service charges.

9. Each provision of these Additional Disclosures will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to these Additional Disclosures.

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 FOR NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

3. The following is added to the end of 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. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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 DISCLOSURES FOR NORTH DAKOTA

1. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to these Additional Disclosures.

ADDITIONAL DISCLOSURES FOR RHODE ISLAND

1. **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."

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. These Additional Disclosures will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to these Additional Disclosures

ADDITIONAL DISCLOSURES FOR SOUTH DAKOTA

1. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

2. Each provision of these Additional Disclosures will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the South Dakota Franchise Investment Act are met independently without reference to these Additional Disclosures

ADDITIONAL DISCLOSURES FOR VIRGINIA

1. **Additional Disclosures for Item 17.h.** The following statements are added to Item 17.h.:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Multi-Shop Development Agreement and/or Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Multi-Shop Development Agreement and/or Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) 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.

3. Each provision of 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.

ADDITIONAL DISCLOSURES FOR WISCONSIN

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

EXHIBIT J
TO THE FRANCHISE DISCLOSURE DOCUMENT
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EXHIBIT K
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE EFFECTIVE DATE PAGE

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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 L
TO THE FRANCHISE DISCLOSURE DOCUMENT
RECEIPTS

RECEIPT
(RETURN THIS COPY TO US)

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 Shipley Franchise Company LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Shipley Franchise Company 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit F.

The franchisor is Shipley Franchise Company LLC, located at 55 Waugh Dr. Suite 1200, Houston, Texas 77007. Its telephone number is (713) 869-4636.

Issuance date: April 30, 2026

The name, principal business address and telephone number of our primary franchise sellers offering the franchise is as follows: Todd Brin, 55 Waugh Dr. Suite 1200, Houston, Texas 77007, (713) 869-4636, and each other franchise seller offering the franchise is as follows:_____
_____.

Shipley Franchise Company LLC authorizes the agents listed in Exhibit G to receive service of process for it.

I have received a disclosure document dated April 30, 2026 that included the following Exhibits:

A – Franchise Agreement	G – Agents for Service of Process
B – Multi-Shop Development Agreement	H – Current Form of General Release
C- Financial Statements	I – State Specific Addenda
D – List of Current Franchisees and Trademark-Specific Organizations	J – Manual Table of Contents
E – List of Former Franchisees	K – State Effective Dates
F – List of State Agencies	L – Receipts

Date:_____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

YOU MUST RETURN THIS COPY TO US. You may return the signed receipt either by signing, dating and mailing it to Shipley Franchise Company LLC, 55 Waugh Dr. Suite 1200, Houston, Texas 77007, or by emailing a copy of the signed and dated receipt to Shipley Franchise Company LLC at franchise@shipleydonuts.com.

RECEIPT
(KEEP THIS COPY FOR YOUR RECORDS)

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 Shipley Franchise Company LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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F – List of State Agencies	L – Receipts

Date:_____ _____
(Do not leave blank) Signature of Prospective Franchisee

_____
Print Name

KEEP THIS COPY FOR YOUR RECORDS.