

## FRANCHISE DISCLOSURE DOCUMENT

PEACE, LOVE AND LITTLE DONUTS, LLC, A Pennsylvania Limited Liability Company



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We offer franchises for the operation of retail stores and outlets featuring donuts and coffee. Peace, Love & Little Donut franchises offer donuts, coffee and related items from stores and other sites we approve. The total investment necessary to begin operation of a Peace, Love & Little Donuts® store is between \$121,200 and \$235,100 (not including real estate). This includes \$40,000 that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you can 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 Peace, Love & Little Donuts at 104 Marshall Drive, Moon Township, PA 15108, 412-779-7359.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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](http://www.ftc.gov) for additional information. Call your state's governing agency or visit your public library for other sources of information on franchising.

ISSUANCE DATE: May 1, 2022

## 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
<b>How much can I earn?</b>	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 Exhibit C.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Peace, Love and Little Donuts business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Peace, Love and Little Donuts franchisee?</b>	Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 your 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, which requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit G.

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Pennsylvania. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.
2. **Royalty Payments.** You must make minimum monthly royalty payments, regardless of your sales level. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **GENERAL FINANCIAL CONDITION** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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### **Exhibits:**

A. Franchise Agreement, Territory, Authorization and Guarantee.....	-
B. Confidentiality Agreement and Application.....	
C. List of Current and Former Franchisees.....	
D. Financial Statements	
E. Manual Table of Contents.....	
F. Conditional Assignment of Lease	
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## **ITEM 1.**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, “Peace, Love,” “we” or “us” means Peace, Love and Little Donuts, LLC, the franchisor. “You” means the person who buys the franchise. If you are a corporation, partnership, limited liability company or other entity, “you” includes your owners.

We are a Pennsylvania limited liability company that was formed on June 12, 2012. We do business under our corporate name, and under the trademark “Peace, Love and Little Donuts” and associated logos and marks. Our principal place of business is 104 Marshall Drive, Moon Township, Pennsylvania 15018. We have an affiliated company, Ron Razete Enterprises, LLC, which operates a business similar to the one offered. We have no parent company or predecessors. Our agents for service of process are disclosed on Exhibit G.

We franchise the right to own and operate Peace, Love and Little Donuts outlets which feature specialty donuts, coffee and related items (“Stores”). The Stores feature our distinctive exterior and interior store design trade dress, designs, furniture and color scheme and distinctive donuts and donut toppings and combinations using our, operations guidelines, procedures and specifications, all of which we may be modify, improve and further develop. This distinctive store and products and operating procedures is referred to collectively as the “System.” You will operate a business featuring donuts and coffee and related items under the System from a Store or other location that we approve. You may also offer catering services to banquets, conventions, and weddings and similar functions within your territory. You must obtain our approval of your physical location.

Our affiliate, Ron Razete Enterprises, LLC has been operating Stores that are substantially the same as the franchises we offer since August 9, 2009. We began licensing the right to use the Peace, Love and Little Donuts® trademark for donut and coffee Stores in 2012. As of the issuance date of this disclosure document our affiliate operates three Peace, Love and Little Donuts Stores and licenses the use of our trademark to 10 other independent Stores. We began offering franchises in 2016. Other than as described above, we have not offered licenses or franchises in any other line of business.

The market for your products is primarily the general public. You will compete with other national, regional and local donut and coffee businesses. Your franchised business may operate in proximity to major competitors. Some competitors may offer products and services that are the same as or similar to those you offer.

You will also be subject to state and local licensing laws, codes and regulations, as they relate to the operation of a donuts and coffee business. For certain services within food service, you are subject to federal, state, and local health department laws and regulations which vary from jurisdiction to jurisdiction. In most states, you will have to obtain and maintain a health permit and an occupancy permit. Some may require a specialty permit or license. There may be other laws applicable to the business and you should carefully investigate laws and regulations that may apply to your local business. You should consult a lawyer with experience dealing with food service and or food franchise issues to be sure you are familiar with the current statutes and regulations that might apply within your territory. You will also be subject to national, state, and local regulations that apply to all businesses, such as the Americans With Disabilities Act (“ADA”), Occupational Safety and Health Act (“OSHA”), Fair and Accurate Credit Transactions Act (“FACTA”), privacy of consumer, employee and transactional information, payment card industry data security standards, wage and hour laws, and business licensing and permit requirements.

**ITEM 2.**  
**BUSINESS EXPERIENCE**

**Mr. Ron Razete, Founder, President and CEO**

Mr. Razete has worked exclusively on the donut and coffee business since it was founded in 2009.

**Mr. Jeff Bennett, Director of Franchise Operations**

Mr. Bennett has been our Director of Franchise Operations since August 1, 2015. In 2007, Mr. Bennett joined a client's real estate development group as COO, where he developed and managed 1 million square feet of commercial retail and office properties.

**ITEM 3.**  
**LITIGATION**

In 2017, we sold a franchise for a location to be operated in Virginia inadvertently without being registered first. We agreed with the Division of Securities and Retail Franchising of the Virginia State Corporation Commission to offer the franchisee a rescission of the franchise agreement and not to violate the Virginia Retail Franchising Act in the future. The franchisee declined to accept our offer to cancel the franchise agreement and return the franchise fee.

In June of 2016, our president, Ron Razete, agreed to plead guilty to violating 18 USC §152 (1) and 26 U.S. Code § 7206 and 18.S.C. § 152 regarding a personal income tax return filed in 2010. He received 5 years' probation. The charges were filed against Mr. Razete personally, not us.

Other than as described above, there is no litigation required to be disclosed in this Item.

**ITEM 4.**  
**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item

**ITEM 5.**  
**INITIAL FEES**

The initial franchise fee for a single Peace, Love and Little Donuts franchise is \$40,000 payable as a \$10,000 deposit anytime on and after fourteen days from receiving this disclosure document and the remaining \$30,000 before entering into a lease for a location from which to operate a Store.

To become a franchisee, you must first be approved by us after going through our application process. If you meet our initial approval and you are interested in proceeding, you will be required sign the Confidentiality and Non-Disclosure Agreement attached to this disclosure document as Exhibit B. When you pay the balance of the Initial Franchise Fee, it will no longer be refundable.

By granting you a franchise to open and operate a single Peace, Love location you do not receive any right or interest to develop, operate, or open additional locations. If you are one of our existing

franchisees and we decide to grant you the right to open a second or subsequent franchise, you may qualify for a reduced Initial Franchise Fee of \$35,000. You must be the controlling owner and operator of the additional franchise, and your current franchise or franchises must be in good standing and performing satisfactorily, in our sole judgment.

If you are purchasing a franchise from one of our existing franchisees, in lieu of the Initial Franchise Fee, you will be required to pay a fee equal to 50% of the then-current Initial Franchise Fee. This fee will be in addition to any other applicable fees discussed in this Item.

## ITEM 6. OTHER FEES

Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us and are non-refundable.

Type of fee	Amount	Due Date	Remarks
<b>Royalty Fee</b> (Note A, C)	The greater of 6% of Gross Revenues or \$100 per week subject to annual CPI adjustments.	Payable by 4 <sup>th</sup> day of each month for preceding calendar month, via automatic withdrawal from your checking account for the franchise.	“Gross Revenues” includes all sales of every kind made at or from your business, as more specifically described in the Franchise Agreement. “Gross Sales” do not include refunds or taxes.
<b>System –wide Advertising and Marketing Fund Fee</b> (Note B, C)	The greater of 1% of Gross Revenues or \$25 per week subject to annual CPI adjustments.	Subject to annual CPI adjustments preceding calendar month, via automatic withdrawal from your checking account for the franchise.	Gross Revenues” includes all sales of every kind made at or from your business, as more specifically described in the Franchise Agreement. “Gross Sales” do not include refunds or taxes. We reserve the right to increase the Marketing Fee upon notice to not more than 4% of Gross Revenues.
<b>Local Advertising and Cooperative Marketing</b> (Note B)	2% of Gross Revenues We reserve the right to institute cooperative marketing in the future and increase local advertising requirements up to 4%. Of Gross Revenues.	Monthly	You must spend at least 2% of Gross Revenues on local advertising and marketing in addition to the System-wide Marketing Fee



<b>Type of fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
<b>Additional Training</b> (Note D)	Approximately \$1,200 per person for additional training after initial training.	In advance of the training program(s)	You are responsible for the cost of additional training of a new or replacement manager or managers and solely responsible for all compensation, salaries, benefits and travel-related expenses for you and any employees to attend training.
<b>Transfer</b> (Note F)	\$7,500	Upon submission of a formal request by you to transfer your franchise.	You may transfer your franchise in accordance with the Franchise Agreement, subject to our approval. This fee is reduced to \$500 if you transfer to a corporation or other entity with identical ownership and control of the franchise.
<b>Audit costs (3% or more under-reporting)</b> (Note G)	You will be responsible for all costs associated with the Audit if it indicates you have understated Gross Sales by 3% or more as well as the amount of the underpayment and	Immediately upon billing	Payable only if an audit reveals that you have under reported Gross Revenues by 3 percent or more.
<b>Late fees and interest on overdue payments</b>	1.5% per month interest on the amount of any underpayment or late payment.	As incurred	Interest accrues from the original due date until payment is received in full.
<b>Renewal</b>	2/3 of the then-current Initial Fee	Two months before the expiration of the Franchise Agreement.	

**Note A. Royalty Fees.** You will pay monthly a Royalty Fee based on cumulative weekly sales for the preceding month. We may, upon notice to you, require you to pay Royalty Fees on a different periodic basis.

**Note B. System-wide Marketing Fees.** You will pay this Fee in the same manner and at the same time as your Royalty Fee. We may, upon notice to you, require you to pay the advertising and marketing Fee on a different periodic basis. We do not collect or impose advertising fees on behalf of a third party. However, we may elect to have you pay the System-Wide Advertising and Marketing Fee to an advertising agency which we select.

System-Wide Advertising and Marketing Fees are in addition to your local and regional marketing obligation. We may, at our discretion, also establish special promotional campaigns applicable to the Peace, Love and Little Donuts System generally or to specific markets. If you participate in any special promotional programs, you may be required to pay for the development and purchase or lease of all materials necessary to the promotional campaigns, including but not limited to counter cards, posters, banners, billboards, signs, photography or give-away items.

We require that you spend a minimum of two percent (2%) of Gross Revenues on local marketing and advertising and recommend that you spend between \$3,000 and \$8,500 on grand opening advertising and marketing.

**Note C.** You must pay the royalty and marketing and advertising fees in United States currency via automatic electronic withdrawal from your corporate checking account. The method of payment is in our sole judgment. If you pay by credit card, we will charge you a handling fee for such credit card transaction. All fees payable to us or our affiliates are uniformly imposed against all franchisees and minimum fees are subject to annual CPI adjustments. The method of payment and uniformity of all fees you pay to other third parties will be determined by your arrangement with those parties.

**Note D.** Training Expense. Initially, you must have at least two full-time people working the business, one of which should be you. One must be responsible for business operations and management; the other must be, at all times, a certified Peace, Love and Little Donuts® donuts and coffee specialist. Both of you must successfully complete our initial training program. We will decide whether you and your manager successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively. In addition to successfully completing our initial training program, your specialist, should have at least two years of related industry experience to become a manager.

We will provide initial training to you and up to two additional persons as part of your Initial Fee. After the initial training, you must bear the cost of training additional managers or staff. In all cases, you are solely responsible for all salaries, compensation, benefits, travel and related expenses for trainees. Any additional trainees you select for initial training beyond three, may incur additional training expenses.

We may require you or your manager to attend additional training at a location we determine. Generally, you must pay our usual fee(s) for mandatory training. In any event, you are solely responsible for all salaries, compensation, benefits and travel related expenses of trainees.

We may provide or make available training materials and equipment for you or your employees and may charge a fee. All training materials are Trade Secrets. You must require any of your employees to successfully complete any training program(s) if we designate them as mandatory.

**Note E.** This is only an estimate of what such upgrades may cost.

**Note F. Transfer Fee.** The Transfer Fee is payable when you sell your franchise. If you transfer your rights under the Franchise Agreement, you or the transferee must pay us \$7,500. If you transfer your franchise to a corporation or other entity which you control, this fee is reduced to \$500.

**Note G. Audit Expense.** You must maintain accurate business records, reports, accounts, books and data relating to your operation of your outlet. We or our designee have the right to inspect and/or audit your business records during normal business hours to determine whether you are accurately maintaining records and reports sales. If any audit reveals that you have understated gross sales by three percent (3%) or more, or if you have failed to submit reports and/or remittances to us for any two (2) reporting periods, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys if incurred by us, together with amounts due for royalty and other fees because of the understated gross sales, including interest from the date when the net sales should have been reported and paid.

**ITEM 7.****ESTIMATED INITIAL INVESTMENT****YOUR ESTIMATED INITIAL INVESTMENT**

	<b>LOW AMOUNT</b>	<b>HIGH AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM MADE</b>
Initial Fee (Note A)	\$40,000.00	\$40,000.00	Lump Sum	\$10,000 with application; \$30,000 prior to lease signing	Us
Travel & Living Expenses While Attending Initial Training	\$500.00	\$2,000.00	As Incurred	Before, During & After Training	Vendors, Airlines, Hotels, Car Rental Companies, etc.
Real Estate and Leasehold Improvements (Note B)	\$25,000.00	\$60,000.00	As Incurred	As Arranged	Landlord, Lender or Contractor(s) and Vendors
Equipment (Note C)	\$35,000.00	\$55,000.00	As Incurred	As Arranged	Vendors, r
POS, Cameras & Software (Note D)	\$1,500.00	\$2,500.00	As Incurred	As Arranged	Us or Vendors
Signs	\$2,500.00	\$15,000.00	As Arranged	As Arranged	Us, Vendors, Leasing Cos or Lender
Licenses and Permits	\$200.00	\$600.00	Lump Sum	Before Opening	State, County, City
Grand Opening (Note E)	\$3,000.00	\$8,500.00	As Incurred within first 90 days	As Incurred within first 90 days	Vendors
Insurance (Note F)	\$500.00	\$1,500.00	As Arranged	As Arranged	Insurance Companies
Professional Services, (Note G)	\$1,000.00	\$5,000.00	As Incurred	As Incurred	Your Lawyer
Opening Inventory of Supplies	\$4,000.00	\$10,000.00	As Arranged	As Arranged	Us and Vendors
Additional Funds (3 months) (Note H)	\$5,000.00	\$25,000.00	As Incurred	As Incurred	Employees, Vendors, Utilities, Taxing Agencies, etc.
Miscellaneous Opening Costs (Note I)	\$3,000.00	\$10,000.00	As Incurred	As Incurred	Vendors, Suppliers, Utilities, Tradesmen, Deposits etc.
<b>Total</b>	<b>\$121,200</b>	<b>\$235,100</b>			

## **Notes Regarding Initial Investment:**

### **Note A: Initial Fee.**

A deposit in the amount of **\$10,000.00** is paid in cash upon signing the **Peace, Love and Little Donuts** Application for Franchise anytime on and after fourteen days from receiving this disclosure document. The balance of the Initial Fee (**\$30,000.00**) is payable in full, in cash or certified funds, upon our approval of your application and prior to signing a lease for your Store.

### **Note B: Leasing and Leasehold Improvements**

You must obtain and maintain a physical location which can be owned or leased that meets our requirements. This estimate does not include an estimate for the cost of renting real estate or a security deposit. The monthly rental for leased premises will vary widely depending upon the location of the Store, the condition of the space you lease, tenant improvements required and the then-current local real estate market rental conditions. Size, configuration and landlord requirements will be major factors in cost. Some landlords finance leasehold improvements by amortizing them over the lease term and charging a higher rental amount to cover the cost. You should attempt to determine your costs and financing options before deciding on Premises. In every case however, we must approve your location in writing. Estimates of rental costs may be obtained by contacting us or local commercial realtors. Security deposits on leases are often required and are sometimes a matter of negotiation with the landlord. The amount of a security deposit, if required, can also vary widely.

Besides rent, you may also have other charges under a lease such as common area maintenance and other prorated charges. These charges may also vary depending upon whether such things as common area maintenance or escalation charges for increases in taxes and operating expenses are included in the lease. We encourage you to study your local commercial real estate market closely. Under a commercial lease, you may be liable for the entire term of the lease whether or not you succeed in the business. You should consult with an attorney about the lease documents. You may elect to own your own Premises, in which case it is not possible for us to estimate the cost because of the wide variations in price and financing options.

If you already lease or own Premises, you should review your lease or purchase documents to evaluate the cost of leasehold improvements to convert the space into a Peace, Love and Little Donuts store.

If you are taking over or continuing in an existing **Peace, Love and Little Donuts** Store, we may require that you remodel, redecorate or make other changes to the Premises to comply with our current specifications, at your cost. You must maintain the Store, at your expense, including furniture, fixtures, interior and exterior paint and landscaping, in accordance with our specifications.

### **Note C: Equipment.**

If you are buying a fully equipped outlet from us the cost of mandatory equipment will be within this range. If you purchase from another franchisee or if you elect to acquire your mandatory equipment from other sources, it may cost more. We are not obligated to offer your business on a fully equipped basis.

The cost of equipment could vary widely depending primarily upon your circumstances. Some new franchisees will have existing businesses and will already have some of the equipment they will need. However, even if you have an existing **Peace, Love and Little Donuts** business that is fully equipped, you may need additional or different equipment if you are expanding your operations or to comply with our standards. There are factors beyond our control that could cause you to invest more in equipment.

If you lease the equipment, that may increase your monthly fixed expenses. If you borrow money to purchase the equipment, that may increase your monthly fixed expenses.

The estimate of the cost of equipment is based upon the operation of substantially similar businesses by our Affiliate.

**Note D: POS, Surveillance Cameras & Software**

The cost of POS, surveillance cameras and required computer software is explained in more detail in Item 11.

**Note E: Grand Opening.**

We recommend a "grand opening" appropriate for your community, competitive situation and similar factors. We estimate that, in most areas, you can accomplish an adequate grand opening for between \$3,000 and \$8,500, although, because of local conditions, you may decide that more or less is necessary.

**Note F: Insurance.**

We require you to purchase and maintain, at your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under this Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars per occurrence/two million dollars annual aggregate. You must purchase and maintain professional liability (errors and omissions) insurance and a BOP (business owners' policy). You must purchase and maintain worker's compensation and employer's liability insurance with a reputable insurer acceptable to us or with a state agency. You must provide us with one or more certificates of insurance evidencing such coverages and naming us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to us. Upon our request, you must provide us with a true copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage is primary/non-contributory. Every insurance policy must be with an insurance company that meets our criteria as set forth in the Manual.

The price of insurance has varied widely in recent years. You should obtain a price quotation from your insurance agent or broker and not rely solely upon our estimate. The cost of workers compensation and employers' liability insurance is additional. You should obtain prices from Your State agencies or your insurance agent or broker.

**Note G: Professional Services**

You should check with your attorney and accountant to determine the actual range of fees before signing the Franchise Agreement. This estimate does not include any ongoing needs for legal and accounting services. This estimate does not include consulting services.

**Note H: Additional Funds.**

This estimates your initial startup expenses. You may have to use some of these additional funds to pay for our management assistance if you request from us extraordinary management or support services during the early stages of your business. In addition, these estimates include payroll costs and various service costs such as utilities. These estimates do not include owner compensation or return on investment. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our

methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the products and services you offer; the prevailing wage rate; competition; and the sales level you reach during the initial period. You may need additional funds before your Peace, Love and Little Donuts® business breaks even.

#### **Note I. Miscellaneous Costs.**

This estimate is for incidental unexpected costs. You may want to reserve more because there is significant variability in these kinds of costs.

### **ITEM 8.**

#### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase from us or a supplier we approve all equipment, supplies and inventory necessary to start or operate your **Peace, Love and Little Donuts®** business. We issue specifications in writing and incorporate them in the Manual. These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance which may include our reasonable subjective determination of whether they meet the standards and comport with the **Peace, Love and Little Donuts®** image.

In some locations, we may offer franchised **Peace, Love and Little Donuts®** businesses on a fully equipped basis only. In that case, you must purchase the equipment and the initial inventory from us or an affiliate or approved vendor. We may derive revenue from the sale of initial equipment and inventory.

You must purchase from us, or a vendor we approve in writing, all items used to start or operate your business that contain or bear our Marks. All items that you purchase from approved suppliers must meet our specifications. This includes advertising and marketing materials, forms, and promotional items. In addition, you must purchase the signs used to identify the **Peace, Love and Little Donuts®** business(s) and Premises from a vendor we approve utilizing designs we approve. None of our officers own an interest in any supplier.

We publish a list of approved vendors and order procedures in the Manual. We may approve other vendors if you request it in writing or if a vendor requests it and if the vendor demonstrates to our satisfaction that it is financially stable and can provide product(s) or service(s) that meet our specifications and that are consistent with our image. We may charge our reasonable costs incurred in evaluating a proposed vendor. We will give you a good faith estimate of our cost of evaluating a proposed vendor within a reasonable time after you make the request, but before we begin the evaluation process. We will normally make our decision within thirty (30) days. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will provide any approvals of new vendors or revoke approval of vendors in writing and will incorporate our decision in the Manual.

We and our affiliates reserve the right to receive fees, payments, rebates, commissions or other consideration from third party manufacturers, suppliers, and/or distributors on their sales of products, services, equipment, goods and supplies to our affiliate and our franchisees. Except as described below, we and our affiliates will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor. We may place fees, payments, rebates, commissions, allowances or other consideration we receive from some vendors with whom you do business in either the System-wide Advertising and Marketing Fund or a separate fund to cover the cost of franchisee conferences and conventions and franchisee incentive programs. We expect the amount and availability of such funds to vary from time to time based upon factors outside our control.

You must purchase computer hardware and software for your business that we designate or that meets our standards and specifications. We have the right to require you to purchase computer hardware and software and related services from our designated supplier or suppliers, or from our approved supplier or suppliers. Such supplier(s) may be or include us or an affiliate, and we or our affiliate may be the only designated or approved supplier or source of supply for these items. Additional information regarding computer hardware and software you must purchase or license is disclosed in Item 11.

We may negotiate purchase arrangements with suppliers for your benefit in the future. Except as described in this Item 8, we do not currently provide any material benefits to you based upon your use of designated or approved sources.

Our total revenue for the fiscal year ended December 31, 2021, as reflected on the audited financial statements attached to this disclosure document as Exhibit D, was 383,852. We did not receive any revenue from franchisee purchases of goods, products and services from us or as otherwise described in this Item 8.

We estimate that your purchases of goods and services from approved sources will represent approximately 90 to 100% of your total purchases in connection with establishing your Peace, Love and Little Donuts business and approximately 90 to 100% of your total purchases in connection with operating the Peace, Love and Little Donuts business.

## **ITEM 9.**

### **FRANCHISEE'S OBLIGATIONS**

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Franchise Disclosure Document</b>
a. Site selection and acquisition/lease	Sections 1.01, 1.02, 1.03, 6.01, 6.02, 6.03 Exhibits A, B and E	Items 11 and 12
b. Pre-opening purchases/leases	Sections 1.01, 1.02, 2.07, 6.01, 6.02, 6.04, 7.08 and 7.09	Items 5, 6, 7, 8,9 & 11
c. Site development and other pre-opening requirements	Sections 1.01, 1.02, 1.03, 6.01, 6.02, 6.03, 6.04, 7.08 and 7.09 Exhibits A, B and E	Items 5, 6, 7, 8 11 and 12
d. Initial and ongoing training	Sections 2.01 and 4.01 through 4.05	Items 5 and 11



<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Franchise Disclosure Document</b>
e. Opening	Sections 1.01, 1.02, 1.03, 6.01, 6.02, 6.03, 6.04, 7.08 and 7.09 Exhibits A, B, C, D and E	Items 5, 6, 7, 8,9 & 11
f. Fees	Sections 2.01, 2.02, 2.03, 2.04 and 2.06.	Items 5, 6 and 11
g. Compliance with standards and policies/Operating Manual	Sections 1.04, 2.05, 7.04, 7.06 and 7.13	Item 11
h. Trademarks and proprietary information	Section 1.03, 7.05, 7.07 and 7.13	Items 11 and 13
i. Restrictions on products/services	Sections 6.02, 7.04 and 7.05, Exhibits C and D	Items 8 and 11
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Sections 7.01 and 7.10 Exhibits C and D	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 7.04.03, 7.04.04, 7.6 and 9.01.07	Items 11 and 17
n. Insurance	Section 8.02	Item 11
o. Marketing	Sections 2.03, 2.06 and 7.13	Items 6, 7 and 11
p. Indemnification	Section 8.01	Item 17
q. Owner's participation/management/staffing	Sections 4.02,4.03, 7.01, 7.04 and 7.06	Items 11 and 16.
r. Records/reports	Sections 3.01, 3.02 and 3.03	Item 6
s. Inspections/audits	Sections 3.01, 3.02 and 3.03	Item 6
t. Transfer	Sections 11.05 and 12.01 through 12.04	Item 17
u. Renewal	Section 9.01	Item 17
v. Post-termination obligations	Sections 17.01, 17.02and 18.01	Item 17
w. Non-competition covenants	Sections 16.01 through 16.03	Item 17

Obligation	Section in Agreement	Item in Franchise Disclosure Document
x. Dispute resolution	Sections 19.01 through 19.04	Item 17

## ITEM 10

### FINANCING

We do not offer direct or indirect financing. We will not guarantee your note, lease or any other financial obligation.

## ITEM 11.

### FRANCHISOR'S ASSISTANCE, ADVERTISING COMPUTER SYSTEM AND TRAINING.

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

Before you open, we will:

1. License you to use our Marks and System to use to identify your **Peace, Love and Little Donuts®** business (Franchise Agreement - Article 1);
2. Designate your Territory (Franchise Agreement - Article 1);
3. Review and approve or disapprove the location you choose to operate the business (Franchise Agreement - Articles 1 & 7) as follows:
4. Provide you with your initial equipment and inventory package list; and,
5. Loan you one or more operations manuals ("the Manual") (Franchise Agreement - Article 1); which contains specifications and mandatory and suggested standards and procedures. This manual is confidential and remains our property. We will modify this manual, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - Article 1). Exhibit E has a copy of the Manual's table of contents. The Manual currently contains approximately 100 pages.

After you open we will:

1. Take such action as we consider appropriate to protect or defend the Marks or System (Franchise Agreement - Article 1);
2. Manage any System-Wide Advertising and Marketing Accounts. We will provide a periodic accounting, but only as to the aggregate amount of any System-Wide Advertising and Marketing Fees collected and how we used them by general category. (Franchise Agreement – Article 2)
3. Direct the marketing program using any System-Wide Advertising and Marketing Fees collected (Franchise Agreement - Article 2);
4. Review advertising that you have submitted to us. (Franchise Agreement - Article 7).
5. Collect and manage any rebates, discounts and allowances from vendors you do business with (Franchise Agreement – Article 2); and
6. Provide a periodic training program for your manager(s) and for certain other employees, at our regular charge for the training (Franchise Agreement - Articles 4 & 5).

7. Provide initial and continuing advisory assistance to assist you in operating the business, including periodic advice and materials on new sales and marketing developments and operational techniques, and periodic newsletters and bulletins regarding the System as we, in our discretion, consider appropriate. (Franchise Agreement – Articles 4 and 7

8. Make available product information and materials and selling tips. (Franchise Agreement –Article 7).

### **Advertising**

There is no national advertising council or any regional cooperatives yet formed to advise us on advertising policies. The advertising may be produced by an in-house advertising department or a national or local advertising agency. Provided we have approved them in writing, you may advertise using various media coverage including print, radio, television, or any other media and obtain local, regional, or national media coverage. You may use your own advertising materials; materials supplied by us or employ an agency to develop advertising. In any event, we must approve all advertising before you use it.

We require that during the term of the Franchise Agreement, you spend, on an annual basis, a minimum of two percent (2 %) for local advertising and promotion. We reserve the right to increase the local advertising requirement up to four per cent (4%) of Gross Revenues. We recommend but do not require that you also spend between \$3,000 and \$8,500 on your Grand Opening.

The system-wide advertising and marketing fund. Company-operated businesses may not contribute. Franchisees will contribute one per cent of your gross sales each month to the Fund with a monthly minimum of \$500 (subject to annual CPI adjustments). We decide whether to form and whether to terminate the Fund. Franchisees will pay us an amount to be determined per month for our cost (without profit) to administer the Fund. We will spend that money for marketing, promotion, and advertising. Your payment will include our fees and expenses in connection with marketing research, marketing studies, development and preparation of advertisements, and development of marketing strategies and programs and the costs of staffing of the administration of the Fund's activities. We may also expend our own funds for the same purposes. We would not use the Fund to solicit new franchisees or use any part of the fund for advertising that is directed primarily at soliciting the sale of new franchises. Any marketing funds not used during any one year remain in the marketing fund(s) for the next year.

The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund or any advertising fees we receive. We have no obligation to make expenditures on your behalf that are equivalent or proportionate to your contributions to the Fund, to ensure that any particular franchisee benefits directly or pro rata from marketing or advertising we develop or place or to ensure that any advertising directly impacts your business or penetrates the Protected Territory. If requested by you in writing no sooner than 90 days after the end of our fiscal year, we will provide you an annual unaudited statement of contributions and expenditures of the Advertising Fund for our most recently completed fiscal year. We will not be required to audit the Fund.

### **Time To Open**

The typical length of time between when you sign the Franchise Agreement or pay the initial franchise fee and the time when Your Peace, Love and Little Donuts business opens will generally be four to six months. The factors affecting this length of time include the time necessary for you to obtain Premises and equipment, schedule your initial training, and hire and train any necessary employees.

## **Training**

Before opening your Peace, Love and Little Donuts business, you and your manager, must successfully complete our initial training program. We will decide whether you and your manager(s) have successfully completed the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively. You and your manager must complete initial training and attend certain additional training at your cost for travel and lodging to attend. We will ordinarily schedule the initial training program so that you will complete the pre-opening before the scheduled opening of Peace, Love and Little Donuts your business. You are responsible for all salaries, compensation and travel related expenses of persons receiving training as well as any travel related expenses for the trainers, both initial training and on-going training.

<b>Subject</b>	<b>Time Begun</b>	<b>Instructional Material</b>	<b>Hours of Classroom Training*</b>	<b>Hours of On the Job Training*</b>
Orientation to <b>Peace, Love and Little Donuts</b>	Before Opening	Manual, Lecture, Slides	1	NA
Objectives of <b>Peace, Love and Little Donuts</b>	Before Opening	Manual, Lecture, Slides	1	NA
New Store Development	Before Opening	Manual, Lecture, Slides	2	NA
Service Overview	Before Opening	Manual, Lecture, Slides	21	NA
Operations	Before Opening	Manual, Lecture, Slides	6	21
Support Systems & Computer Systems	Before Opening	Manual, Lecture, Slides	12	NA
Sales	Before Opening	Manual, Lecture, Slides	6	NA
Marketing & Advertising	Before Opening	Manual, Lecture, Slides	4	NA
People Management	Before Opening	Manual, Lecture, Slides	1	NA
Tours/Vendor Introduction	Before Opening	Manual, Lecture, Slides	1	NA
Certification Testing, Graduation & Send-off	Before Opening	Manual, Lecture, Slides	4	NA

\* All times are approximate, and we may adjust them based upon your experience and rate of learning. Although the person(s) indicated will coordinate and be responsible for training, they may bring in other appropriate persons to conduct the training or some portion of it.

We do not charge for the initial training for you or your manager (initial training for a total of three people is included in your Initial Fee), but you must pay the travel and living expenses for all trainers

involved in the initial training. Please refer to Item 2 for information regarding the experience of the training instructors. You and your manager must successfully complete the initial training program. We will decide whether you and or your manager(s) have successfully completed the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively. Training will be provided by C. J. Razete who was worked in and supervised Peace, Love and Little Donut stores since inception.

We will provide additional on-going training for you and your manager(s) and employees at our usual charges if we consider it advisable. The Franchise Agreement does not obligate us to provide such services, however.

### **Operations Manual**

We will provide you on loan with our 111-page confidential Operations Manual for the Peace, Love and Little Donuts® System on or before your first day of the initial training program. The Operations Manual contains certain operational policies, standards, requirements, practices and other specifications for Peace, Love and Little Donuts® stores; some of which you must follow and some of which are optional. The Operations Manual contains proprietary information, and you must keep this information confidential. We reserve the right to change the Operations Manual at any time. Updates to the Operations Manual may be provided online or in paper form in our sole judgment. The 111-page table of contents of our Operations Manuals are included as Exhibit E.

### **Computer Software**

We require you to use certain computer equipment and software. You may select any computer hardware that meets or exceeds our current minimum requirements. You are responsible to maintain and repair your hardware and to update or upgrade your software. We may recommend or require additional hardware. We will require you to purchase specified point of sale or register equipment and software and/or portable hand-held devices. We currently require you to use the following computer hardware and software:

Notes:

1. We do not provide any support for computer hardware, or third party "Proprietary Software" operated on computer systems. The Square POS Database and reports are contained within the POS. As report preparation and processing software and office management programs become more sophisticated, you may need to upgrade or supplement hardware and related items. You must upgrade your computers, modems and printers and purchase any additional equipment we specify to accommodate our software, or to improve the overall effectiveness and competitiveness of your business. We do not expect these upgrades to exceed \$2,000 per full time manager used by you in any 24-month period.

2. The Square POS Database is proprietary business management information. We are not obligated to provide support or upgrades to this program or its replacement program. If upgrades or support for this program are required, this will be provided by the vendor at an additional cost.

3. The Square POS is a proprietary software program that allows managers to collect data while performing inspections and generate **service** reports. These Reports are typically operated on tablet, laptop or desktop computers. New releases or Updates of the software may be provided at an additional cost.

4. Via the Square POS software, you will grant us unlimited access to the information and data generated and described above. There are no contractual limitations on our rights to access the information and data.

5. We require that you enter into a maintenance agreement with **Square** for maintenance and updates. We have no contractual obligation to provide support for the software or hardware. You are obligated by the Franchise Agreement to install and use any upgrades and updates that we may designate as mandatory. There are no limits on the frequency or cost of such upgrades or updates. We have used Square POS in the locations operated by our affiliate continuously since 2013.

6. We currently require Cable, DSL or Fiber Optic Internet connection that is always on. We require you to have a static IP address—it is required for the security/ camera system. We recommend that you obtain your Internet access from a major supplier.

7. We have no contractual obligation to provide support for Apple or Microsoft software, Adobe Software, Intuit Software, or other 3rd party vendors of required software programs. You may be able to obtain support from your computer hardware manufacturer or directly from Apple or Microsoft. We have no contract with Apple or Microsoft or with any hardware manufacturer to provide you with service or support. We cannot estimate the cost of updates and upgrades and there is no limit to the frequency with which you may require them or the amount of the cost. Those factors are determined by Apple or Microsoft pricing and service policies. We have used versions of these software programs in our offices continuously since 2013. We have not approved any alternative software at this time.

8. Although we require you to have an iPad with a wireless modem that will run the required software, we do not impose additional technical requirements at this time except that your computers must be less than one year old at the time you begin using it in the Peace, Love and Little Donuts business. We may, in the future, impose additional requirements on new or replacement computer hardware. Based upon current market prices, you should be able to obtain an adequate new computer for less than \$1,500.00, including monitor, keyboard, mouse, printer and other peripheral devices. You must install and use upgrades and replacement equipment when we require it, which we may do at any time. There is no contractual limit on how much an upgrade would cost.

9. The required computer hardware and software will assist you in gathering, analyzing and reporting data and service results. The required computer hardware and software will also collect and make available to you and to us extensive information about your business, including purchases, customer data, inventory, receipts, cost of goods, profitability and expenses, including payroll and employee expense and scheduling. Under the Franchise Agreement, we have unlimited independent access to the information for any proper purpose under the Agreement. Unless otherwise required by law, we will not provide the information to any other person except in summary or statistical formats—and with your identifying information removed

## **ITEM 12**

### **TERRITORY**

We will grant you a geographic territory ("Territory") which we will describe in Exhibit 2 of the Franchise Agreement. If you are not in breach of the Agreement, we will not locate or open a competitive business under the Marks and using the System in Your Territory, either company-owned or franchised, during the term of the Agreement. You are permitted to operate the Franchised Business only at one location and only within your Territory. There are no restrictions on where customers may come from. You may only engage in direct marketing within your Territory, except with our prior approval. You may not engage in sales through alternative distribution channels or the Internet without our prior written approval. You may not market your goods and services over the Internet or through other alternative distribution methods without our prior written approval. We are not required to give you such approval.

The Agreement excludes certain sites from your Territory, even though they may be located within the boundaries of your Territory. Those exclusions are home shows, trade fairs, fairs or festivals. We, or

a person we designate, may directly or indirectly sell and distribute goods and services at those locations, including the same goods and services you offer and may use the Marks, without compensating you or any other franchisee. In addition, we may offer products and services under the same or a different trade name or trademark, including within Your Territory through alternative distribution methods, including through independent retail outlets, catalogs, mail order and through electronic media, including television, radio, the “internet” and through other new or emerging commercial technological media without paying you or any other franchisee.

The Agreement permits us to modify the boundaries and size of Your Territory if the population of your territory increases by twenty percent or more from the estimated population at the time you sign the Agreement. If a modification reduces the size of your Territory, and you are in full compliance with the Agreement, you will be granted a first right of refusal to license and operate another **Peace, Love and Little Donuts®** franchise in the newly created territory. The right of first refusal must be exercised within 60 days.

In determining the original size and boundaries of your Territory, we will consider demographic and other factors that we deem appropriate, including demographics of the surrounding area; the type of nearby development; zoning; physical characteristics of the proposed site; the status of nearby competition; the economics of the proposed site; access issues, the number of people living within the logical market area, the number and size of competitors, traffic patterns, the competitive situation, natural determinants, and economic data. We will not necessarily give any single factor or combination of factors controlling weight. We reserve the right to change the method we use to establish the Territory upon notice to you. Your Territory will not necessarily be identical to that of any other franchise, and you must make your decision whether to purchase the franchise based upon your knowledge of your proposed Territory.

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 are in full compliance with the Agreement and with the Manual, we may permit you to acquire an expansion territory. An expansion territory is adjacent territory that we have not assigned to another franchisee. The current price of such expansion territory is \$0.10 per person residing in the expanded territory based upon currently available governmental demographic data. The purchase price for expansion territory is payable, in full, when you sign an addendum for the expansion territory. We will determine the minimum and maximum size and configuration of an expansion territory and may impose reasonable conditions, including, but not limited to the opening of a satellite location in the expansion territory. Except as described above, we and our affiliate(s) will not establish other franchised or company-owned Peace, Love and Little Donuts® Stores within Your Territory. Except as described above, we will not alter your Territory. We do not require that you achieve any specific sales volume or market penetration to maintain your Territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control.

Although we have the right to do so (as described above), we have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Except as described above, the Franchise Agreement does not give you any rights to open or buy additional units in your territory or contiguous territories. If you want such rights, you must execute additional Franchise Agreements.

### ITEM 13.

#### TRADEMARKS

We give You the right to use the name “**Peace, Love and Little Donuts,**” and other trade names, trademarks, service marks, trade dress and logos We currently use or which we may adopt or approve (the “Marks”) in the Peace, Love and Little Donuts business. You must follow our rules when you use the Marks. You may only use the Marks exactly as we specify. You may not use any of the Marks in connection with the offer or sale of any unauthorized product or service.

We own the right to use the name and service mark “**Peace, Love and Little Donuts**”

In addition to our common-law rights to the Mark, we have secured federal trademark registrations on the Principal Register as follows:

Mark: “**PEACE, LOVE AND LITTLE DONUTS**”

Serial Number 85-439,413

Registration Number 4,153,589

Registration Date: June 5, 2012

All required affidavits and the renewal for the Mark listed above have been filed. There are no presently active determinations of the Patent Office, the Trademark Administrator of any state or any court, any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks that is relevant to your ability to use the Marks in connection with the Peace, Love and Little Donuts business. We have filed the required renewal.

There are no agreements that significantly limit our rights to use or license you to use the Marks in any manner material to the Peace, Love and Little Donuts business.

You must inform us if you become aware of any misuse or misappropriation of the Marks or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Marks without our prior written approval. We may take whatever action we deem appropriate to protect or defend the Marks or System, but we need not take any action.

If a third party sues you claiming that you are infringing the trademark or trade name of the third party by using the Marks, you must inform us immediately. We will indemnify you as to that claim only and have the right to control the litigation.

It may become necessary in our sole discretion, because of trademark litigation, a decision of the Patent and Trademark Office, or otherwise, to change the Marks. In that event, you must immediately adopt the new or revised Marks and our maximum liability, including for any purported goodwill, is to reimburse you for the actual out-of-pocket costs of changing the principal signs identifying your Premises.

We do not know of any person claiming or having superior rights to any of the Marks or of any infringing uses of the Marks that could materially affect your use of the Marks.

### ITEM 14.

#### PATENTS, COPYRIGHTS and PROPRIETARY INFORMATION

We do not currently own any patents. We have copyrighted and will continue to copyright the Manual and revisions of all Manuals and Handbooks and construction plans loaned to you, and all training materials we provide or sell to you and your employees. We have not registered any copyrights but may in the future.



The Manual(s), the contents of each, and certain other information we will provide to you, including certain recipes and annual reports on marketing funds expenditures, if required, are all confidential trade secrets. All information we provide to you or which you develop in the course of performing under the Franchise Agreement which is not generally available to the public and which a competitor might find valuable are trade secrets. If we designate something as a "Trade Secret", you must treat it as a Trade Secret whether or not it would otherwise meet any definition of "Trade Secret". You are responsible for protecting all trade secrets and you cannot transfer them or sell them to anyone at any time. You must require your manager(s) and other employees who have access to Trade Secrets to comply with your obligations under the Franchise Agreement to protect our Trade Secrets.

## ITEM 15

### OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS.

You must either devote your full time and effort to managing and operating the Peace, Love and Little Donuts business or delegate its management or operation to a responsible person, who has passed all necessary licenses, tests and requirements of Peace, Love and Little Donuts, Inc. as well as any local or state requirements. You must reserve and exercise ultimate authority and responsibility over operation and management of the Peace, Love and Little Donuts business. If you delegate management and operation to a manager, the manager must first successfully complete our initial training program within prior to assuming the role of manager. If you are a corporation or other entity, each owner must personally guaranty the Agreement and the entity must designate a competent manager. The Guaranty is attached as Exhibit 4 to the Franchise Agreement. We do not require the designated manager to be an equity owner of the franchised business. You must at all times have at least one manager. You must require each manager and employee to whom you disclose our trade secrets to be subject to the trade secrets section of the Franchise Agreement (Franchise Agreement – Article 5). You must require every manager and employee with access to trade secrets to sign a confidentiality agreement. The current form of confidentiality agreement is Exhibit 5 to the Franchise Agreement.

If, in the course of business, Peace, Love and Little Donuts, Inc. discovers by any means, any character concerns, consistently poor customer service or any moral or ethical lapse in judgment that, in its sole discretion, may negatively affect the brand, we reserve the right to require the replacement of any manager or key personnel. The cost of replacement and subsequent re-training of said individual(s) to be the burden of the Franchisee.

It is the responsibility of the Franchisee to vet and investigate, interview, test all applicants or family members that may be involved at any level with the business. This includes not only personnel dealing with the public, but all representatives of the Franchisee. We may provide assistance and tests but are not required to do so.

## ITEM 16.

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale only products and we approve. You must offer **primarily donuts and coffees** under Our Marks and services following Our System and of a type, quality and variety consistent with the **Peace, Love and Little Donuts®** image. You must obtain your supplies and equipment from suppliers we select or approve. You must use only ingredients that we select or approve. We have sole discretion in determining what constitutes the **Peace, Love and Little Donuts®** image. The image is constantly evolving as markets change and evolve. You may not engage in sales through alternative distribution channels, by wholesale or the Internet without Our prior written approval. We are not required to give you such approval.

We may change the System or any part of the System at any time, and as changed it will remain the System. We own any improvements or changes in the System whether We, You or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating you. If we modify the System, you must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time you signed the Agreement. There are no restrictions on our right to modify the types of goods and services you will offer except that we will remain primarily a seller of donuts and coffees.

## **ITEM 17.**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Term of the Franchise	Article 1	10 years.
b.	Renewal or extension of the term	Article 9	If you are in good standing and we continue the franchise system in your area, we may permit you to renew for two additional terms of ten years each under the then-current agreement, which may be materially different than the agreement we are now offering.
c.	Requirements for You to renew or extend	Article 9	Be in good standing with us, sign new agreement, update or replace facilities and equipment, retain Premises, give 12 months' notice and pay a fee of not more than 2/3 of the then-current Initial Fee.
d.	Termination by You	None	
e.	Termination by Franchisor without cause	None	
f.	Termination by Franchisor with cause	Article 15	We may terminate only for cause. We may, in lieu of terminating your franchise, terminate your territorial rights and leave your franchise in full force and effect; however, terminating Your territorial rights does not limit Our rights thereafter to terminate your franchise for the same or a different cause.

	Provision	Section in Franchise Agreement	Summary
g.	"Cause" defined--defaults which can be cured	Article 15	You have 30 days to cure: failure to pay Us or Our affiliate or another <b>Peace, Love and Little Donuts</b> franchisee; unauthorized assignment; abandonment (even if unintentional); You become insolvent; failure to pay any taxes before delinquent; sublicensing of Marks; impasse among owners of Franchise; refusal to permit an audit; violation of any law or rule (including any health codes, rules or regulations); conviction of a felony; failure to operate properly using the Marks; unethical or dishonest business dealings; failure to maintain insurance; failure to timely deliver estoppel certificate; or termination of any other agreement between You and Us for cause. You have 30 days to cure any breach of the Agreement for which the Agreement does not specify a shorter period.
h.	"Cause" defined--defaults which cannot be cured	Article 15	Non-curable defaults: repeated defaults, even if cured; You are adjudged bankrupt; assignment for benefit of creditors; abandonment of business; convicted or plead guilty to violating law relating to Peace, Love and Little Donuts business.

	Provision	Section in Franchise Agreement	Summary
i.	Your obligations on termination/nonrenewal	Articles 16 & 17	No further use of Marks, telephone numbers, telephone listings, computer software, trade secrets or the Manual; certain notification obligations; payment of sums due to Us; We have option to lease or assume lease for Your Premises under the Conditional Assignment of Lease attached as Exhibit F to this disclosure document or otherwise; sign document(s) to transfer telephone numbers; continuing royalties on pending sales, if any; and We have option to purchase any part of Your business assets. If we elect to assume your lease and to operate a <b>Peace, Love and Little Donuts</b> business from your Premises, you must cooperate in a changeover procedure, including notifying the landlord of the change of tenant, conducting an inventory, permitting us to use Your furniture, fixtures and equipment for up to 60 days, and permitting us to communicate directly with your employees, vendors and customers in order to facilitate a smooth transition.
j.	Assignment of contract by Franchisor	Articles 12, 14 & 21	No restriction on our right to assign except that if our assignee assumes all of our obligations to you then we have no further liability to you.
k.	"Transfer" by You--definition	Articles 11, 12, 13 & 14	Includes any assignment, transfer, sale, sublease or encumbrance of the Agreement, the Franchise, the assets of your business, the Premises, or of any ownership interest in the Franchisee if you are a corporation, partnership or limited liability company or other form of Entity.
l.	Franchisor's approval of transfer by franchisee	Articles 11, 12, 13 & 14	Franchisor has the right to approve or disapprove all transfers.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
m.	Conditions for Franchisor's approval of transfer	Articles 11, 12, 13 & 14	You are current in all fees to Us; You are not in material breach of the Agreement; You have paid all debts of Your business; new Franchisee signs release of claims against Us for representations You made; You sign a mutual termination and release of the Agreement; We receive transfer fee (\$7500); new Franchisee signs the then-current form of Agreement (except preserving Your financial terms for balance of Your term); new Franchisee qualifies; new Franchisee successfully completes initial training program; new Franchisee obtains rights to Your Premises lease, if applicable; and We receive 30 day right of first refusal. The fee to transfer to an entity with identical ownership is \$500.
n.	Franchisor's right of first refusal to acquire Your business	Article 12 & 17	We may match any offer for Your business.
o.	Franchisor's option to purchase Your business	Article 17	On termination, we may purchase any part of Your business at the fair market value of the tangible personal property purchased.
p.	Your death or disability	Articles 12 & 13	Your heirs or personal representative must, within 90 days, either (i) request the right to continue to operate the business, subject to Article 13 of the Agreement except that no transfer fee will be payable, or (ii) sell the Peace, Love and Little Donuts business to a third party, subject to Article 13 of the Agreement. If We deny a request to continue to operate the business, the 90 days to sell begins on the date of Our denial. The same applies if You become disabled as defined in Article 14 of the Agreement.
q.	Non-competition covenants during the term of the franchise	Article 16	No involvement in any competing business anywhere.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
r.	Non-competition covenants after the franchise is terminated or expires	Articles 16 & 18 (if applicable)	For 18 months, you must not compete with Us within 20 miles of the boundaries of Your Territory, solicit or divert any of Our customers or vendors or customers or vendors of any other franchisee, disclose any trade secrets, or solicit or hire any of Our employees, former employees or franchisees. For 18 months, you will not be employed by or in business with any person or entity that does any of those things.
s.	Modification of the agreement	Article 21	Only by written agreement; We may modify the Manual at any time.
t.	Integration/merger clause	Article 21	Only the terms of the Agreement are binding (subject to state law). Any other promises or agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article 19	Except for actions for the sole purpose of collecting unpaid monies, including franchise fees, royalties or Marketing Fees or to enforce trademark or trade secret rights and covenants against competition, we will resolve all disputes with You by Arbitration, which will only occur after the parties try informally to resolve the dispute and participate in mediation.
v.	Choice of forum	Articles 19 & 21	Litigation or arbitration must be in the state of Pennsylvania.
w.	Choice of law	Article 21	Pennsylvania law applies.

## **ITEM 18.**

### **PUBLIC FIGURES**

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

## **ITEM 19.**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This financial performance representation is based upon the historical information from the 23 franchised and 3 affiliate-operated Peace, Love and Little Donuts stores that were open, fully operational and reported sales the entire year from January 1, 2021 through December 31, 2021 (the “2021 Fully Operational Stores”)

“Fully operational” means that a Peace, Love and Little Donuts store was selling the complete range of products according to the System and was open and operating throughout the relevant time period. This financial performance representation therefore does not include any licensed stores, any stores that closed in 2021, or new stores that opened in 2021.

The information presented in the Table for the 2021 Fully Operational Stores was taken from sales as reported by our POS system that provides us with real time data from the stores:

<b>2021 Fiscal Year</b>
-------------------------

**Average Monthly Gross Sales \$18,907**

**Important Notes.**

(1) “Gross Sales” means all sales of every kind made at or from a Peace, Love and Little Donuts® retail store, but does not include credits, refunds, discounts or taxes. Generally, for the purpose of this Item 19, “Gross Sales” has the same meaning as in the Franchise Agreement, except that it applies to sales and receipts of the 2021 Fully Operational Stores.

(2) There were 26 Fully Operational Stores in 2021 consisting of 23 franchised stores and 3 stores operated by our affiliate.

(3) “Average Monthly Gross Sales” was derived by adding the average Gross Sales for each of the Fully Operational Stores and dividing by 26.

(4) The Average Monthly Gross Sales of the 2021 Fully Operational Stores ranged from \$9,807 to \$32,513. Nine (9) of the Twenty-six (26) or 34% of the 2021 Fully Operational Stores exceeded the Average Monthly Gross Sales.

(5) The sales results include sales though some third-party delivery services used by the stores. Not all stores used delivery services.

(6) These results were compiled for the calendar year ending December 31, 2021. In 2021 the stores were not subject to any closure requirements because of Covid but in some cases experienced supply and labor shortages. Some of the stores have adopted delivery services as a permanent business practice.

We will, upon reasonable request, provide to you written substantiation for the information provided in this Item 19.

Expenses will vary widely among franchisees and may include the following: (i) advertising expense a franchise operator may choose to incur according to perceived needs; (ii) increased cost for inventory purchases; (iii) higher staffing expenses (iv) property taxes; (v) accounting, legal and other professional fees; (vi) depreciation/amortization; (vii) interest or finance charges and/or repayment of principal on any funds borrowed for the business. The three

company-owned stores included in average monthly gross sales do not pay royalties. We encourage you to consult with your financial advisors in reviewing this information and, in particular, in estimating the categories and amount of expenses that you will incur when you establish and operate your Love, Peace and Little Donuts business. You should not consider the results shown here to be the actual or probable sales that any particular franchisee might actually realize. Actual results vary from franchisee to franchisee and depend on a variety of internal and external factors, some of which neither you nor we can estimate, including competition, taxes, differences in management skills and experience levels, the availability of financing, general economic climate, demographics and changing consumer preferences. Therefore, we cannot estimate the results of any particular franchise. We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney, accountant or other advisors before executing a franchise agreement.

We may use current or past reports of revenues from existing or past locations to accurately depict the ebb and flow of customers, customer retention, marketing results and sales. We do not guarantee any level of revenue, profits or success. Other than the financial performance representation shown in this Item 19, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ron Razete., CEO, at Love, Peace and Little Donuts, LLC., 105 Marshall drive, Moon Township, Pennsylvania 15108 or call (412) 779-7359, the Federal Trade Commission or the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

### System wide Outlet Summary

For years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	25	27	+2
	2020	27	27	0
	2021	27	24	-3
Company-Owned	2019	3	3	0
	2020	3	3	0
	2021	3	3	0
Total Outlets	2019	28	30	+2
	2020	30	30	-0



	2021	30	27	-3
--	------	----	----	----

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**

**For years 2019 to 2021**

All States	Year	Number of Transfers
	2019	0
	2020	0
	2021	1
Total	2019	0
	2020	0
	2021	1

**Status of Franchised Outlets**

**For Years 2019 to 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
CO	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
LA	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
KY	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
MI	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
NY	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
NJ	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
OH	2019	10	2	0	0	0	0	12
	2020	12	1	0	0	0	1	12

	2021	12	0	0	0	0	2	10
PA	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	2	2
	2021	2	0	0	0	0	2	2
TN	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
SC	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TX	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
VA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
WV	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
TOTAL	2019	25	4	0	0	0	2	27
	2020	27	3	0	0	0	3	27
	2021	27	1	0	0	0	4	24

### Status of Company-Owned Outlets

#### For Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
PA	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Totals	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3

### Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
Texas	0	1	0

Kentucky	1	0	0
New York	0	1	0
West Virginia	0	1	0
Ohio	0	2	0
Pennsylvania	0	3	0
Florida	0	1	0
Michigan	0	1	0

Attached as Exhibit C to this disclosure document is a list of the names, business addresses, and business telephone numbers of all franchisees as of December 31, 2021. Franchises who have had a franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or transferred a Peace, Love and Little Donuts® franchise are listed on Exhibit C. In addition, no franchisee has failed to communicate within the 10-week period before the issuance date of the disclosure document. There are no franchisees that have signed an agreement but are not yet open.

If you buy a Peace, Love and Little Donuts® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees signed confidentiality agreements. There are no trademark-specific franchisee organizations associated with the Peace, Love and Little Donuts® franchise system required to be disclosed in this Item.

## **ITEM 21.**

### **FINANCIAL STATEMENTS**

Our audited financial statement for fiscal years ended December 31, 2019, December 31, 2020, and December 31, 2021, are attached separately as Exhibit D.

## **ITEM 22.**

### **CONTRACTS**

We urge you to read all of the agreements carefully. This Franchise Disclosure Document cannot possibly contain all of the terms of the various agreements. It is important that you understand all of those terms. We have attached the following contracts and agreements:

A. Peace, Love & Little Donuts® Franchise Agreement with the following exhibits to the franchise agreement:

1. Location	4. Personal Guaranty
2. Territory	5 Trade Secret and Confidentiality Agreement
3. Direct Debit Authorization	6 Assignment of Telephone numbers

..... -

- B. Confidentiality and Non-Disclosure Agreement.....
- F. Conditional Assignment of Lease
- I. State Addenda

**ITEM 23**

**RECEIPT**

Two receipts for this Franchise Disclosure Document are attached at the end of this document as Exhibit I. You must remove one copy, sign it and return it to us and keep the other for your files.

# **EXHIBIT A**

## **PEACE, LOVE AND LITTLE DONUTS® FRANCHISE AGREEMENT**

# Franchise Agreement



**PEACE  
LOVE  
& LITTLE  
DONUTS**



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Franchise Agreement No.: \_\_\_\_\_

DATED: \_\_\_\_\_ (“Effective Date”)

BETWEEN: **Peace, Love and Little Donuts, LLC.** (“Franchisor”)

AND: \_\_\_\_\_ (“Franchisee”)

\_\_\_\_\_  
\_\_\_\_\_

TERRITORY:

### RECITALS

WHEREAS Franchisor has developed a unique system that features a distinctive exterior and interior store design, trade dress and color scheme for operating and marketing a business under Franchisor’s operations guidelines, procedures and specifications which business offers distinctive **quick service donuts and coffee** with donuts that distinctive toppings and combinations, operating under the Marks and using the System, all of which Franchisor may be modify, improve and further develop (the "System");

WHEREAS Franchisor owns the trademark "**Peace, Love and Little Donuts**" and related logos and marks and trade dress as more fully described in this Agreement (hereinafter the "Marks");

WHEREAS, as between Franchisor and Franchisee, Franchisor is the sole and exclusive owner of all goodwill associated with and to become associated with the Marks, the value of which Franchisee acknowledges;

WHEREAS Franchisee recognizes the advantages and value of the System and Marks and desires to obtain a franchise for a "**Peace, Love and Little Donuts**" business;

WHEREAS Franchisee recognizes the necessity and value of maintaining high standards and uniformity of appearance, image, products, services and customer relations in conformity with the System as Franchisor may reasonably modify it from time to time;

WHEREAS Franchisee is aware of the risks, business and otherwise, associated with owning a **Peace, Love and Little Donuts** business and has independently evaluated those risks without relying upon any representations from Franchisor or Franchisor's agents regarding revenues, profits or probability of success., except only those representations, if any, contained in Franchisor's Franchise Disclosure Document

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WHEREAS, Franchisee acknowledges that revenues, profits or probability of success are affected primarily by factors beyond Franchisor's control, including Franchisee's skill, personality, diligence and dedication and general regional or local economic or demographic conditions; and

WHEREAS, Franchisor, in reliance upon Franchisee's representations, is willing to provide certain training and other services and to grant a license to operate a Peace, Love and Little Donuts business under the terms and conditions of this Agreement, which terms Franchisee acknowledges;

NOW THEREFORE, for and in consideration of the mutual covenants herein set forth, and other good and valuable consideration, the receipt and sufficiency of which each party acknowledges, intending to be legally bound hereby, Franchisor and Franchisee mutually agree as follows:

## Article 1 - License and System

### 1.01 Grant of License.

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate one (1) location using the System and Marks for a period of ten (10) years from and after the Effective Date of this Agreement to be located as specified in Exhibit 1 attached or at such other location within the Territory as Franchisor may approve in writing (the "Store" or "Franchise"). The term "Store" or "Franchise" includes event catering and other services that are associated with a catering business operating under the Marks and using the System. Based upon Franchisee's own research and knowledge, Franchisee shall select a location within 180 days after signing this Agreement and that location shown on Exhibit 1. Franchisee shall not relocate the Store without Franchisor's prior written approval. Subject to Franchisee complying with applicable laws and ordinances, Franchisee may operate the Franchise, in whole or in part, from Franchisee's residence, provided Franchisee's residence is located within Franchisee's Territory.

### 1.02 Location and Territory.

1.02.01 The geographical territory within which the Store is to be located is shown on Exhibit 2 attached (the "Territory"). Except as specifically permitted by this Agreement, Franchisee's **Peace, Love and Little Donuts** Store shall be the only **Peace, Love and Little Donuts** location operating within the Territory. As long as Franchisee is not in breach of this Agreement, Franchisor will not open and operate a competitive **Peace, Love and Little Donuts** Store in the Territory, either company-owned or franchised, during the term of this Agreement. However, there shall be no geographic restrictions upon where customers may originate for any **Peace, Love and Little Donuts** Store, company-owned or franchised. Franchisee shall not distribute or publish advertising or otherwise market outside Franchisee's territory except in compliance with this Agreement and the Manual.

#### 1.02.02 Exclusions from Territory.

The following, and any substantially similar locations, shall be excluded from Franchisee's Territory: Home shows, trade fairs, exhibitions and online product sales of related industry equipment. As to such excluded locations, Franchisor shall have the right, directly or indirectly, to sell and distribute goods and services, including those normally offered by Franchisee and using the Marks, without compensation to Franchisee or any other franchisee(s). Franchisor may, directly, indirectly, or through an affiliate, franchisee or licensee, offer products and services under the same or a different trade name or trademark, including within Franchisee's Territory through alternative distribution methods, including through catalogs, mail order, independent retail outlets, and through electronic media, including television, radio, the "Internet" and through other new or emerging commercial technological media. Franchisor shall have no obligation to share any revenues from alternative distribution activities with Franchisee. Without limiting the foregoing, Franchisee shall not, without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever, use the Marks or any part of the Marks or anything similar to the Marks as part of a domain name or in any other manner in connection with any commerce on the Internet or similar media. Franchisee shall not use the Marks in or market through alternative distribution methods without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever.

#### 1.02.03 Modifications of Territory.

If the population of the Territory increases by twenty percent (20%) or more from the estimated population contained in Exhibit 2, based upon reliable governmental data (United States Bureau of the Census or successor if

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in the United States), Franchisor shall have the option of dividing Franchisee's Territory and creating a new Territory, which may include portion(s) of the territories of other franchisees. If, at the time Franchisor exercises the option to modify Franchisee's Territory, Franchisee is in full compliance with all of the terms of this Agreement and has had no notices of default within the prior twelve calendar months, then Franchisee shall have sixty (60) days within which to exercise a first right of refusal to license and operate another **Peace, Love and Little Donuts** Store in the newly created territory. If any right of first refusal provided pursuant to this paragraph is not exercised within sixty (60) days of the notice, or waived prior to sixty days, it shall expire and be of no further force or effect.

#### 1.02.04 Expansion Territory.

Subject to Franchisor's prior written approval, if Franchisee is in full compliance with this Agreement and the Manual, Franchisee may be permitted to acquire additional adjacent territory that has not been assigned to another franchisee. The price of such expansion territory shall be \$0.10 per person residing in the expanded territory based upon currently available governmental demographic data. The purchase price for expansion territory is payable, in full, upon the signing of an addendum granting the expansion territory to Franchisee. Franchisor, in its sole discretion shall determine the minimum and maximum size and configuration of an expansion territory and may impose reasonable conditions, including, but not limited to the opening of a satellite location in the expansion territory.

#### 1.03 System and Marks.

1.03.01 Franchisee agrees to operate the Franchise only according to the System and only under the Marks pursuant to the Manual. Franchisee acknowledges that Franchisor owns all rights to the System and the Marks and Franchisee has only such rights as this Agreement grants. For purposes of this Agreement, the "System" includes the rights and obligations set forth in this Agreement, the Operating Manual furnished to the Franchisee as amended from time to time, Franchisor's name, training, formulas, methods of operation, reputation, advertising, system and similar benefits pursuant to which the Franchisee operates the Franchise. Franchisor's unique trade dress is part of the Marks.

1.03.02 Unless otherwise first approved by Franchisor in writing or unless otherwise required by applicable law, Franchisee agrees to do business only under the name "**Peace, Love and Little Donuts.**" Franchisee shall not use the Marks in any manner not specifically approved by Franchisor, including, without limitation, as part of any domain name or other address on any portion of the Internet or any new medium, including as part of any meta tag(s) or similar use.

1.03.03 Franchisee shall immediately notify Franchisor, in writing, if Franchisee learns of any attempt by any person to infringe the Marks or to wrongfully appropriate the System or any part of it. Franchisor may, in its sole discretion, take whatever action it deems appropriate to protect or defend the Marks or System but is not obligated to take any action whatsoever. Franchisee agrees to fully cooperate with Franchisor in any action anticipated by or taken by or on behalf of Franchisor. Franchisee understands that it may become necessary, in Franchisor's sole discretion, to change, totally or in part, the Marks, as a result of litigation or otherwise.

1.03.04 Franchisor may change the System or any part of the System at any time, and as changed it shall remain the System pursuant to this Agreement. Franchisor shall own any improvements or changes in the System whether developed by Franchisor, by Franchisee or by other franchisee(s) and shall have the right to adopt and perfect such improvements or changes without compensation to Franchisee or other franchisees. If Franchisor modifies the System, Franchisee shall, at Franchisee's own expense, adopt and use such modification(s) as if it were part of the System at the time of execution of this Agreement.

1.03.05 Franchisee agrees to operate no other business whatsoever, including coin-operated devices, in or about the Store or otherwise in connection with the System or Marks without first obtaining Franchisor's written approval; provided that, Franchisee may provide any service(s) or product(s) permitted according to the Manual. Franchisee acknowledges that Franchisor owns, in connection with the Marks, all goodwill associated with or to become associated with the telephone numbers and telephone listings and agrees to execute an Assignment of Telephone Numbers in the form of Exhibit 6 attached.

#### 1.04 Manual.

Franchisor agrees to loan to Franchisee during the term of this Agreement one or more operations manuals (the "Manual"), together with such updates and modifications as Franchisor may from time to time provide to Franchisee. Franchisor may make any changes or modifications in the Manual as in Franchisor's sole judgment are desirable. Franchisee agrees that if there should, at any time, be a discrepancy between the terms of Franchisee's copy of the Manual and the master copy maintained in Franchisor's files, the terms of the master copy shall prevail. Franchisee agrees, at all times, to conform to the Manual in all respects including to obtain any equipment, fixtures, personnel or technology necessary to do so. The Manual is and shall at all times remain the property of Franchisor and shall be returned to Franchisor upon expiration, termination or nonrenewal of this Agreement for any reason. Franchisee agrees not to make the Manual available to or permit another to make any copies of the Manual or any portion thereof without Franchisor's prior written consent.

### Article 2 - Franchise Fees and Advertising

#### 2.01 Initial Fee.

The Initial Fee for the **Peace, Love and Little Donuts** Franchise is Forty Thousand Dollars (\$40,000) = payable as a Ten Thousand Dollar (\$10,000) deposit with a completed application fourteen days after receiving a disclosure document and the balance of Thirty Thousand Dollars (\$30,000) prior to signing of a lease. The Initial Fee is not refundable for any reason except if Franchisor does not approve the application, the deposit will be refunded.

#### 2.02 Royalties.

Franchisee shall pay to Franchisor monthly in an amount equal to the greater of six percent (6%) of Gross Revenues or \$100.00 per week payable without setoff. Franchisor may, upon thirty (30) days prior written notice require Franchisee to pay Royalties on a different periodic basis. Minimum fees are subject to annual CPI adjustments. If Franchisee owns more than one **Peace, Love and Little Donuts** franchise, Franchisee shall report and pay royalties for each franchise independently, unless otherwise directed by Franchisor.

#### 2.03 System-wide Marketing Fee.

2.03.01 Franchisee shall pay to Franchisor a monthly Marketing Fee in the amount equal to the greater of one percent (1%) of Gross Revenues or \$25.00 per week, payable without setoff. Franchisor may reduce or discontinue the System-wide Marketing Fee at any time and may, thereafter, reinstate it upon a new thirty-day Notice. Franchisee shall pay the System-wide Marketing Fee at the same time and in the same manner as Royalties. Minimum fees are subject to annual CPI adjustments. If Franchisee owns more than one **Peace, Love and Little Donuts**, franchise, Franchisee shall report and pay the System-wide Marketing Fee for each franchise independently, unless otherwise directed by Franchisor. Franchisor may, in Franchisor's sole discretion, upon sixty days' prior written notice, increase the System-wide Marketing Fee up to a maximum of four percent (4%) of Gross Revenues.

2.03.02 Franchisor shall maintain all System-wide Marketing Fees collected, net of any taxes Franchisor is required to pay as a result of collecting the System-wide Marketing Fees, in one or more bank accounts separate from Franchisor's regular account(s). Franchisee authorizes Franchisor to commingle Franchisee's Marketing Fees with those paid by other Franchisees. Upon request, Franchisor will provide an unaudited annual accounting to all Franchisees as to the aggregate amount of System-wide Marketing Fees collected and their use and application by general category, which accounting will be prepared within one hundred twenty (120) days following the end of Franchisor's fiscal year. Franchisee acknowledges and agrees that each such accounting is a Trade Secret and shall be treated as such according to this Agreement.

2.03.03 Franchisor shall use System-wide Marketing Fees collected, net of taxes and governmental fees, for advertising, marketing and promotion for the benefit of Franchisor's System. Selection of marketing, advertising and promotion location, scope, content, copy, timing and approach shall be by Franchisor and in Franchisor's sole discretion. Franchisor may use some of the funds, in its discretion, for market research, production and administration of the advertising program. Franchisor will attempt to benefit all of Franchisor's franchisees through the marketing program over all; however, not every element of the marketing and promotion program will

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necessarily directly benefit any specific franchisee. In making its marketing decisions, Franchisor will consider but not be bound by advice from any advisory committee(s) of franchisees recognized by Franchisor.

2.03.04 Franchisor shall have no duty to conduct any specific marketing program or a marketing program in any particular Territory. If Franchisor conducts a program(s), Franchisor makes no representations or warranties regarding the nature of the marketing to be conducted or about its effect on Franchisee's revenue.

#### 2.04 Management Assistance.

If Franchisee requests Franchisor to provide extraordinary management or support services at Franchisee's location or in Franchisee's Territory Franchisee shall pay Franchisor's usual fee for such extraordinary services, which shall be due and payable no later than the second date for payment of royalties following the date of the services. All such extraordinary services shall be arranged as provided in the Manual.

#### 2.05 Gross Revenues.

The term "Gross Revenues" shall mean the full the price of all goods and services sold by Franchisee from or relating to the Franchise, whether or not Franchisee has received cash or other consideration, excluding only taxes or fees Franchisee is required to collect on behalf of the government and which Franchisee actually remits. Gross Revenues are calculated at the time Franchisee sells the goods or services, without regard to when the Franchisee receives or expects to receive cash or other consideration therefore.

#### 2.06 Local Advertising and Marketing.

2.06.01 Franchisee is required to spend not less than two percent (2%) of Franchisee's Gross Revenues on advertising and promotional activities during each calendar year in Franchisee's Territory, in such types as approved by Franchisor or as set forth in the Operations Manual. Franchisor reserves the right to increase the local advertising and marketing requirement to up to four percent (4%) of Gross Revenues. Franchisor encourages Franchisee to spend additional amounts on local advertising and promotional activities beyond the minimum amounts required. Franchisee shall promptly send to Franchisor for pre-approval copies of all marketing copy and media used. If Franchisor considers any advertisement or marketing technique not acceptable, Franchisee shall, immediately upon receipt of a written notice from Franchisor, cease using the subject advertisement or marketing technique.

2.06.02 Local or Regional Advertising and Marketing Cooperative. [INTENTIONALLY DELETED]

#### 2.07 Grand Opening.

Franchisee should but is not required to, between thirty 30 days before and six months after the date that Franchisee is open for business, spend a minimum of Three Thousand Dollars (\$3,000.00 on grand opening advertising and promotion for the Store in accordance with the guidelines set forth in the Manual or otherwise in writing.

#### 2.08 Rebates, Discounts and Allowances.

Franchisee authorizes Franchisor to collect all available rebates, discounts and allowances (the "RDA") from vendors or others with whom Franchisee does business, provided that, in Franchisor's reasonable business judgment, it is appropriate to collect them. Franchisor shall place all collected RDAs in either the System-wide Marketing fund or in a separate account and shall apply all such funds for purposes of subsidizing the cost of franchisee conventions, meetings and incentive programs. Franchisee authorizes Franchisor to commingle Franchisee's RDA funds with those received because of business conducted by other franchisees. Franchisor is authorized to pay from the collected RDA funds any taxes and assessments payable because of having received the funds and a reasonable portion of the administrative and marketing costs of securing, managing and disbursing such funds. Upon request, Franchisor will provide an unaudited annual accounting as to the aggregate amount of RDA funds collected and their use and application by general category, which accounting will be prepared within one hundred twenty (120) days following the end of Franchisor's fiscal year and will be provided to Franchisee upon written request. Franchisee acknowledges and agrees that each such accounting is a Trade Secret and shall be treated as such according to this Agreement.

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## 2.09 Method of payment and Overdue Payments

Royalties and Marketing Fees are payable monthly by automatic electronic withdrawal. Franchisee agrees to execute the authorization attached as Exhibit 3. Overdue payments shall bear interest at the rate of one and one-half percent per month, subject to the maximum interest allowed by applicable law.

## Article 3 - Reports and Audits

### 3.01 Records and Reports.

Franchisee shall at all times maintain true and accurate business records in the manner specified by Franchisor. Franchisee shall, on monthly basis or at such other intervals as specified by Franchisor, provide Franchisor with such report(s), in the form(s) specified by Franchisor, as Franchisor may require, and at such times as Franchisor may require, including, but not limited to, reports of Gross Revenues, reports of business expenses and overhead, customer information, copies of detailed purchase invoices, number and type of transactions, identity of vendors, the amount of marketing expenditures, detailed records of marketing expenditures, copies of inspection reports, and weekly or monthly sales summary. By submitting any reports to Franchisor, Franchisee is certifying that they are true and correct. Within ninety (90) days following the end of each calendar year, Franchisee shall provide Franchisor with a copy of Franchisee's balance sheet and an income and expense statement for the year. Upon request, Franchisee shall provide Franchisor with copies of Franchisee's federal income tax return(s) and state and local excise tax returns, if applicable, together with all exhibits and schedules thereto and all amendments thereafter. Franchisor may use data from the reports and financial documents in composite or statistical form for any purpose in Franchisor's sole discretion without disclosing Franchisees' identity. Franchisor is authorized to obtain or verify the information and reports described herein by electronic means from Franchisee's computer(s), at any time, without prior notice, at Franchisor's sole election. Franchisee shall retain all business records for at least five (5) years or such longer period of time as may be required by applicable law. Franchisor shall have access to all POS systems utilized by the Franchisee as well all accounts, passwords and usernames utilized.

### 3.02 Failure to Report.

If Franchisee fails, for any reason, to timely deliver to Franchisor any required report with all required information, Franchisor is authorized, without further notice, to assess Royalties and System-wide Marketing Fees for each relevant week by automatic electronic withdrawal or other transfer of such funds calculated as the greater of (a) Franchisee's average weekly Royalties and Marketing Fees over the prior twelve months or (b) the average weekly Royalties and System-wide Marketing Fees of all similar franchisees within Franchisee's region as defined by Franchisor. Franchisee hereby authorizes Franchisee's bank to make such transfers upon Franchisor's request. No action taken under this sub-paragraph shall constitute a cure of any breach by Franchisee, an election of remedies by Franchisor or act, in any way, to limit Franchisee's liability to pay fees under this Agreement.

### 3.03 Audits and Inspections.

Franchisor shall have the right, at any time, to enter the Premises (either physically or electronically) for purposes of auditing the accuracy of reports submitted and to otherwise verify compliance with the terms and conditions of this Agreement. Should any audit or inspection reveal that Franchisee has underreported the amount of Gross Revenues, Franchisee shall immediately pay to Franchisor the additional amount of royalties and other fees payable because of the underreporting, plus interest thereon at the rate of one and one-half percent per month, subject to the maximum interest allowed by applicable law. In addition, if an audit or inspection reveals that Franchisee has underreported Gross Revenues by three percent (3%) or more for any week, then Franchisee shall also pay, immediately, the cost of the audit or inspection as well as all royalties on all Gross Revenues that were underreported and interest at the rate of 1.5 percent per month on those royalties. In all other cases, Franchisor shall bear the entire cost of the audit or inspection, including incidental costs.

### 3.04 Contact with Others.

Franchisor shall have the right, in Franchisor's sole discretion and without further notice to Franchisee or to any other person or entity, to contact any of Franchisee's customers, landlord, accountant, vendors, or other persons within Franchisee's Territory or otherwise for the purpose of verifying the accuracy of any information submitted by Franchisee, for quality assurance or for any other purpose not inconsistent with this Agreement.

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## Article 4 - Training

### 4.01 Initial Training.

4.01.01 As a condition subsequent to this Agreement, Franchisee and Franchisee's designated manager, if applicable, shall successfully complete Franchisor's initial training program. The initial training program will be approximately 40 to 80 hours in length and shall be conducted at such location(s) as Franchisor specifies. The initial training may be conducted, in whole or in part, in an existing **Peace, Love and Little Donuts** Store owned by Franchisor, an affiliate of Franchisor or another franchisee. Franchisee shall be responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. After the initial training, Franchisor will be available for such reasonable consultation as Franchisor deems appropriate. Franchisor reserves to itself the exclusive right to determine whether Franchisee and other trainees have satisfactorily completed the training program. If Franchisee or Franchisee's manager do not satisfactorily complete the initial training program, Franchisor may terminate this Agreement. Franchisee acknowledges that such failure to satisfactorily complete the initial training program is grounds for termination of this Agreement.

### 4.02 Manager Training.

At all times, Franchisee or Franchisee's manager in charge of operating the Franchise shall be an individual who has successfully completed Franchisor's manager training program and who otherwise meets Franchisor's manager criteria. Any new manager shall successfully complete Franchisor's manager training program within 30 days after assuming the role of manager. Unless otherwise agreed in writing by Franchisor, Franchisee or Franchisee's manager(s) shall bear the reasonable cost of training additional managers after the first manager trained. In all cases, Franchisee shall be solely responsible for any salaries, compensation, benefits and living and travel expenses of trainees.

### 4.03 Employee Training.

At all times, Franchisee shall employ only persons who have successfully completed Franchisor's training program. Franchisee shall pay Franchisor or a third party's usual fee(s) for such mandatory training. Franchisee shall, in any event, be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees.

### 4.04 Subsequent Training.

Franchisor may require Franchisee and Franchisee's manager and employees to complete additional training at a location determined in Franchisor's sole discretion. Franchisee shall pay Franchisor's usual fee(s) for such additional training. Franchisee shall be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees.

### 4.05 Training Materials.

Franchisor may, from time to time, provide or make available to Franchisee training materials and equipment for providing training for Franchisee's manager(s) and employees. Franchisor may charge a reasonable fee for such materials and equipment. Franchisee agrees that all such materials are Trade Secrets pursuant to this Agreement. Franchisee agrees to require all of its managers and employees, as applicable, to successfully complete any such training program(s) if Franchisor designates them as mandatory.

## Article 5 - Trade Secrets and Confidentiality

Franchisee will have access during the course of this Agreement to Trade Secrets that are the property of Franchisor. Trade Secrets include, but are not limited to, the System, the Manual, formulas, methods, customer lists and related information, vendor and pricing lists and policies, the Training, and other programs, techniques and policies as they may be developed by Franchisor from time to time. Franchisee acknowledges that the Trade Secrets derive independent economic value from not being generally known to, and not readily ascertainable by proper means by, other persons who could obtain economic value from their disclosure or use. Franchisee agrees to not disclose or in any way make available to any unauthorized person(s) any Trade Secret(s) or any information regarding any Trade Secret(s) or any proprietary information made available to Franchisee by Franchisor. Franchisee shall hold all such information in complete confidence. Franchisee will not disclose any Trade Secrets

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whatsoever to any person(s) not employed by or under contract with Franchisee. Franchisee will disclose Trade Secrets only to those employees and agents of Franchisee with a legitimate need to know, each of whom Franchisee warrants will be subject to this article. Franchisee shall cause every manager and every employee who has access to Trade Secrets to sign a Confidentiality and Nondisclosure Agreement in the form prescribed by Franchisor, the current form of which is Exhibit 5 hereto.

Franchisee agrees that Franchisor shall have sole discretion to determine what items or information are Trade Secrets, whether or not marked "Confidential" and that any items or information designated Trade Secrets by Franchisor in the Manual or otherwise in writing shall be treated as Trade Secrets under applicable law. In addition to all other remedies available to Franchisor, upon proof of violation of this Article by Franchisee, Franchisee agrees that Franchisor shall be entitled to liquidated damages as a penalty in an amount equal to the greater of: (a) the sum of the average weekly Royalty Fees and the average weekly System-wide Marketing Fees paid or payable by Franchisee during the preceding twelve months, multiplied by the number of weeks, or portion thereof, during which Franchisee was in violation of this Article or (b) one hundred percent of the gross revenues received or receivable by Franchisee or any transferee of any Trade Secrets during every day, or portion thereof, during which Franchisee was in violation of this Article. Franchisee acknowledges and agrees that, if Franchisee violates this Article, proof of actual damages would be difficult and that the formula for calculating liquidated damages contained herein is a reasonable estimate of what actual damages would be.

## **Article 6 - Pre-Opening Obligations**

### **6.01 Premises and Lease.**

6.01.01 Franchisee shall be solely responsible for selecting the location for the Store that complies with the Manual. Franchisee, within 180 days after signing this Agreement, shall select a location, subject to Franchisor's approval. Franchisor will attempt to provide to Franchisee any information in its possession regarding the location and any known alternative locations within Franchisee's Territory. Such information is provided by Franchisor without warranty as to its accuracy or completeness or otherwise. Franchisor claims no special expertise in such matters. Franchisee shall not sign a lease, sub-lease or other obligation for a location until after Franchisee has received Franchisor's written approval of the location, which approval shall be deemed to have been given if Franchisor has not notified Franchisee within ten (10) business days following Franchisor's receipt from Franchisee of a copy of the proposed lease or sub-lease and such other information about the proposed location as Franchisor may require. Approval of the location or the lease or sub-lease by Franchisor does not constitute a representation or warranty by Franchisor or legal opinion as to any term of the lease or sub-lease or that the location of the Store will be profitable. Franchisor may, in Franchisor's discretion, condition approval upon execution of the Conditional Assignment of Lease by Franchisee and Franchisee's landlord. If Franchisee fails to select an approved location within 180 days, Franchisor shall have the option of terminating this Agreement. Franchisee acknowledges and agrees that failure to select an approved location within 180 days is cause for Termination of this Agreement. Notwithstanding Franchisor's right to terminate for failure to select an approved location within 180 days, Franchisor will reasonably extend the selection period if Franchisee has made best efforts to select a location and has been unsuccessful.

6.01.02 If Franchisee requests Franchisor to send a person to Franchisee's Territory to assist in identifying, selecting or negotiating the terms of a lease or purchase of or otherwise in connection with Franchisee's selection of a location for the Store, upon Franchisor's request, Franchisee shall arrange for appropriate transportation, hotels and meals and reasonable expenses not to exceed the current per diem rate for federal employees all at Franchisee's expense. Except for the per diem allowance, Franchisee shall pay such expenses directly to the transportation and other providers.

6.01.03 In some instances, Franchisor may have already entered into a master lease for the location upon which the Store is or is to be located. In such event, Franchisee shall execute a sublease or assignment agreement, as appropriate, subject to the same terms and conditions as the master lease. The sublease or assignment may provide that Franchisee shall pay rent and other obligations directly to the master landlord.

## 6.02 Specifications.

Franchisee shall operate the Franchise only from a Store that meets Franchisor's specifications. Franchisee understands and agrees that, although all **Peace, Love and Little Donuts** Stores will follow a consistent theme, the details of their design will differ in many cases, based upon location requirements, landlord requests, and unique features of the community. Franchisor will consider Franchisee's requests for features for Franchisee's location but is not obligated to follow those requests. Franchisee shall be obligated to update the design of Franchisee's location at Franchisee's expense not more than once every seven years. Franchisee may change or update the design of Franchisee's location, subject to Franchisor's prior written approval, at any time, at Franchisee's expense. If Franchisor approves any changes in the plans or designs at Franchisee's request (or to comply with governmental codes, rules or ordinances), Franchisor shall own all rights to such plans as modified without further compensation to Franchisee or any other person. Franchisee shall sign and obtain signatures of necessary third parties on any documents requested by Franchisor to transfer any and all copyrights or other proprietary interests of any person in and to such modified plans or designs.

## 6.03 Appearance of Premises.

Franchisee acknowledges that not every **Peace, Love and Little Donuts Store** will be required to have identical decor, color schemes and layout. Franchisee agrees, at Franchisee's sole cost and expense, to maintain the Store, including, but not limited to equipment, displays, fixtures, and interior and exterior decor in accordance Franchisor's standards throughout the term of this Agreement.

## 6.04 Required Equipment

Franchisee shall acquire, install and use, at Franchisee's sole expense the equipment listed in the Operations Manual (the "Required Equipment"). Franchisee understands that the specific list of Required Equipment may be different for Franchisee's Franchise than for other franchisees or company-owned locations because of differences in the Premises, lease terms, demographics or otherwise and that Franchisor shall have the right to modify the list of Required Equipment in the Manual or otherwise in writing. All Required Equipment shall meet or exceed Franchisor's specifications. Franchisee shall purchase the Required Equipment only from vendors approved by Franchisor.

# Article 7 - Operation of Franchise

## 7.01 Personal Participation.

Throughout the term of this Agreement, Franchisee shall either devote Franchisee's full time and effort to actively managing the Franchise or delegate its management to a responsible person. Notwithstanding any delegation of authority hereunder, Franchisee shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the Franchise. If Franchisee employs a manager to run the day-to-day operations, the manager shall be required to attend and successfully complete Franchisor's training program prior to taking over full day-to-day responsibilities.

## 7.02 Retail Prices.

Franchisor may recommend prices and pricing strategies for products and services. Franchisee is obligated to follow such price recommendations to the extent such obligation is consistent with applicable law and is otherwise solely responsible for establishing franchisee's own retail prices at such levels as franchisee deems appropriate.

## 7.03 Compliance with Laws.

Franchisee shall be solely responsible, at Franchisee's sole cost and expense, for obtaining and maintaining all necessary or required permits and licenses in order to operate the Store. Franchisee is solely responsible for strictly complying with each and every law, ordinance and regulation applicable to the Store, including, but not limited to, licensing, health, safety, environmental, consumer and labor regulations. Franchisee shall timely pay all applicable taxes as they come due but may challenge the amount or applicability thereof; provided, that Franchisee hereby agrees to indemnify, hold harmless and defend Franchisor from any and all liabilities for taxes arising out of Franchisee's operations of Franchisee.

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#### 7.04 Franchisee Business Operation.

Franchisee understands and acknowledges that every detail of the System and of the operation of the Store is important to Franchisee, Franchisor and other **Peace, Love and Little Donuts** franchisees in order to maintain and further develop high and uniform operating standards, to increase the demand for goods and services sold by Franchisor and all franchisees, to enhance the image of Franchisor and the Marks, and to protect Franchisor's reputation and goodwill. Therefore, Franchisee agrees that:

7.04.01 Compliance with Manual. Franchisee shall operate the Store in conformity with such uniform methods, standards and specifications as Franchisor may prescribe, in the Manual or otherwise, to insure that the highest degree of quality and service is uniformly maintained. Franchisee shall acquire and maintain, at all times, all equipment and software required by Franchisor for operation of the Store. Franchisee shall offer all of the goods and services designated by Franchisor and no others without the written consent of Franchisor, which consent Franchisor may withhold for any reason. Franchisee shall assure that all telephone calls are answered live in compliance with the Manual.

7.04.02 Business Dealings. Franchisee shall not, at any time, engage in any business dealings in relation with the Franchise which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, the goodwill associated with the Marks, or to any customer or vendor of Franchisee.

7.04.03 Maintenance. Franchisee shall, at Franchisee's sole cost and expense, maintain the premises upon which the Store is located, inside and out, in the highest degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic cleaning, repainting, repairs to impaired equipment and replacement of obsolete signs and equipment as Franchisor may reasonably direct. Franchisee shall maintain all landscaping and other outside areas of the premises upon which the Store is located in an attractive and clean condition.

7.04.04 Refurbishing. At Franchisor's request, which shall not be more often than once every seven years Franchisee shall replace or update the Store at Franchisee's sole expense, to conform to the design, trade dress, color schemes and presentation of the Marks consistent with Franchisor's then-current image, including, without limitation, such internal changes and redecoration and such modifications to existing equipment as may be necessary in Franchisor's sole judgment.

#### 7.05 Restrictions on Sources of Products and Services.

7.05.01 Specifications. As to all equipment, fixtures, supplies and inventory ("Items") necessary to operate the Franchise, except as otherwise specified herein, Franchisee may purchase them from the vendor of Franchisee's choice, but the Item(s) must meet Franchisor's specifications, if any. The current list of Items subject to specifications is listed in the Operations Manual. Franchisor reserves the right to change the list of Items that Franchisee must purchase in accordance with specifications. Franchisor reserves the right to require Franchisee to purchase only from suppliers that Franchisor has approved.

7.05.02 Items Bearing Marks and Proprietary Items. Franchisee shall purchase only from Franchisor or a supplier approved by Franchisor all items, including signs that contain or bear the Marks.

7.05.03 Other Suppliers. Franchisor will approve other suppliers of non-proprietary items if Franchisee or the supplier requests the approval in writing and if the supplier demonstrates to the satisfaction of Franchisor that it is financially capable and can provide Item(s) or service(s) that meet Franchisor's standards and that it is willing and able to protect Franchisor's proprietary information. Franchisor may charge a reasonable fee to cover its costs in evaluating a proposed supplier. Franchisor will normally make its decision within thirty days after it receives all of the requested information and any requested samples. Franchisor reserves the right to withdraw approval of any supplier whose performance falls below Franchisor's standards.

7.05.04 Inventory. Franchisee shall, at all times, maintain a sufficient inventory of Items so that the Store can operate at maximum capacity.

7.05.06 Proprietary Items. "Proprietary Items" means items that contain one or more unique characteristics or ingredients or recipes which are either not known to the general public or which are subject to protection as

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intellectual property or Trade Secrets, and can include recipes, ingredients, packaging, trademarks or containers or patented and patentable items. Franchisor or its affiliate(s) may develop Proprietary Items for use in the System. Franchisor or an affiliate will (i) manufacture, supply and sell Proprietary Items to Franchisee, and/or (ii) disclose the formulae for and methods of preparation of the Proprietary Items to one or more supplier(s) who will be authorized by Franchisor to manufacture Proprietary Items to Franchisor's precise specifications and sell Proprietary Items to franchisees of Franchisor and/or (iii) license Franchisee to use them pursuant to this Agreement. If required, Franchisee shall purchase and use Proprietary Items from Franchisor or from a supplier(s) so authorized by Franchisor. Franchisor or its affiliate(s) may derive revenue and profits from Franchisee's purchases of any Proprietary Items. Franchisor or its Affiliate(s) may distribute Proprietary Items through alternative channels of distribution, including within Franchisee's Territory.

7.05.07 Proprietary Software. Franchisor may license Franchisee the use of proprietary software. Any such Software, and any additions or modifications or further developments are and will be Trade Secrets of Franchisor and Franchisee shall comply with Franchisor's requirements and specifications regarding the Software. Franchisor will license the Software to Franchisee at its current rates. Franchisor may require Franchisee to sign a separate license agreement for some software. Franchisor or its affiliate(s) may distribute Proprietary Software through alternative channels of distribution, including in Franchisee's Territory and to competitors of Franchisee.

#### 7.06 Image Staffing and Minimum Hours.

Franchisee shall, at all times, work to protect and enhance Franchisor's image and, specifically, shall maintain employees or workers in the Store whose appearance, attire, attitude, reputation and demeanor are consistent with Franchisor's image. Franchisee acknowledges and agrees that Franchisor shall have sole discretion in determining what constitutes Franchisor's image, and further acknowledges that said image is constantly evolving as markets change and evolve. Franchisee shall, at all times, comply with the minimum staffing requirements specified in the Manual and have employees who provide prompt and courteous service to the customers of the Store. Franchisee shall keep the Premises open to the public at such times as specified in the Manual or in writing and as may be required by a lease for the Store.

#### 7.07 Signs.

Franchisee agrees to obtain, install and maintain on, in and around the Store and on certain vehicles used in the Franchise, appropriate signs bearing the Marks as specified by Franchisor. Any deviation from the required signage shall be subject to Franchisor's prior written approval.

#### 7.08 Computer System.

Franchisee shall purchase specified computer hardware and software ("Computer System") for use in operation of the Store as required by Franchisor. In addition, Franchisee may be required, from time to time, to purchase replacement hardware or software or software upgrades, all of which Franchisee shall install and use as required by Franchisor, including, without limitation, point of sale and communications software and hardware. If required, Franchisee will install and maintain and use, at Franchisee's expense, a dedicated telephone or other data line or transmission facility as specified by Franchisor. Franchisee may obtain a Computer System and related components and services from any source as long as the equipment, software and service meets or exceeds Franchisor's specifications. Franchisee shall be solely responsible for maintenance, repair and replacement of the Computer System. Without limiting the applicability of this paragraph, Franchisee shall, at all times, use and maintain the software as required by Franchisor. Franchisee shall not block or attempt to block or limit Franchisor's access, including electronically, to any data or programs contained on Franchisee's Computer System and Franchisee shall maintain information relating to the Franchise only on the Computer System(s) to which Franchisor has access.

#### 7.09 Communications Equipment and Systems.

Franchisee shall purchase and use in the operation of the Franchise communications equipment or systems and service as required by Franchisor and shall update or replace such equipment, systems and service as required, but Franchisor will not require replacement more than once per year. Except as otherwise required or permitted by this Agreement or by applicable law, Franchisee shall use only the communications systems designated by Franchisor in communicating with Franchisor and other franchisees relating to the Franchise. Franchisor shall have

a proprietary interest in all communications made through any communications systems maintained or provided by Franchisor. Franchisee acknowledges that the provisions of this paragraph 7.10 are reasonable and necessary and beneficial to the **Peace, Love and Little Donuts** franchise system. Franchisee shall monitor and respond to all communications in a timely manner as specified in the Manual or otherwise in writing.

#### 7.10 Equipment Maintenance.

Franchisee shall be solely responsible, at Franchisee's cost and expense, for maintaining, repairing, and replacing, when appropriate, all equipment required, recommended or permitted pursuant to this Agreement.

#### 7.11 Warranties.

Franchisee shall not represent to any customer or the public that Franchisor provides any warranty as to the quality of any product or service, unless Franchisor has specifically authorized such warranty in writing. If Franchisee offers any warranties, they shall be in writing and shall clearly state, both in the warranty and in any promotional or advertising materials, that the warranty is available and will be honored only by Franchisee. Franchisee hereby indemnifies, holds harmless and agrees to defend Franchisor, its related companies and all other **Peace, Love and Little Donuts** Franchisees from any and all claims of whatever nature arising from any such additional warranties made by Franchisee. Franchisee shall participate in and comply with any warranty program that Franchisor may adopt from time to time.

#### 7.12 No Pirating Of Personnel.

During the term of this Agreement and for a period of two (2) years following Termination or Nonrenewal of this Agreement for any reason whatsoever, Franchisee shall not: (a) induce, or attempt to induce any employee of Franchisor, an Affiliate or of any other franchisee to leave their current employer; (b) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any employee of Franchisor, an Affiliate, or of any other franchisee; or (c) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any former employee of Franchisor, an Affiliate, or of any other franchisee, who has, voluntarily or otherwise terminated his or her relationship with Franchisor, an Affiliate, or any other franchisee during the prior eighteen (18) calendar months. The terms of this paragraph 7.13 shall survive termination or nonrenewal of this Agreement for any reason. Any waivers of this paragraph 7.13 must be in writing and signed by the Franchisor.

#### 7.13 Marketing and Advertising.

Franchisee shall, at all times, comply with the Manual in all advertising and marketing, including. All advertising and marketing shall be pre-approved by Franchisor before use.

#### 7.14 New Developments.

Franchisor shall be the sole and exclusive owner of all new developments, including inventions, methods, products, ideas, formulas, research results, equipment, and otherwise, that Franchisee develops or has any role in developing that relate to the Franchise. Franchisee shall immediately disclose any and all such new developments to Franchisor and shall execute any documents necessary, in Franchisor's opinion, to consummate the transfer of all ownership rights therein. The mutual covenants of this Agreement are sufficient consideration for such transfers. Franchisor shall not, otherwise, be required to compensate Franchisee for such new developments.

### Article 8 – Indemnity, Insurance and Independent Contractor

#### 8.01 Indemnity.

Franchisee shall indemnify, defend and hold harmless Franchisor and its affiliates, officers, directors, employees, agents and representatives from all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including reasonable attorneys' fees), of any kind or nature, arising out of, directly or indirectly, or otherwise connected with the Franchisee's or any of Franchisee's officers, directors, shareholders, partners, proprietors, management, agents, employees, affiliates or representative's ownership or operation of the Store and the Franchise, as well as the costs of investigating and settlement of any such claim, and the court costs and attorneys' fees incurred in connection therewith. The foregoing shall apply to

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any action against Franchisor or in any action in which Franchisor is named as a party. Franchisor shall have the right to control and settle any such claim. Franchisee must pay all losses, liability or damages Franchisor incurs pursuant to Franchisee's obligations of indemnity under this Section regardless of any settlement, actions or defense Franchisor undertakes. The Franchisee's indemnities and assumptions of liabilities and obligations stated in this Agreement will continue in full force and effect following the expiration or termination of this Agreement.

#### 8.02 Insurance.

Franchisee shall purchase and maintain, at Franchisee's expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under this Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars per occurrence/two million dollars' annual aggregate. Franchisee shall purchase and maintain professional liability (errors and omissions) insurance with coverage of at least \$1,000,000 per occurrence/annual aggregate. Franchisee shall purchase and maintain worker's compensation and employer's liability insurance with a reputable insurer acceptable to Franchisor or with a state agency. Franchisee shall provide Franchisor with one or more certificates of insurance evidencing such coverages and naming Franchisor as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to Franchisor. Upon request by Franchisor, Franchisee shall provide Franchisor with a true copy of any insurance policy, including all endorsements. Every insurance policy of Franchisee required by this Agreement shall provide that coverage is primary/non-contributory. Every insurance policy shall be with an insurance company that meets Franchisor's criteria as set forth in the Manual.

#### 8.03 Independent Contractor

Each party to this Agreement is and shall remain an independent contractor and shall control the manner and means of operation of each of their respective businesses and shall exercise control over and responsibility for the conduct of its respective agents and employees. Neither party shall be considered or held out to be agent(s), joint venturers, partners or employee(s) of the other. Neither party shall negotiate or enter into any agreement or incur any liability in the name of or on behalf of the other. Franchisee shall prominently display signs at all times in the manner specified by Franchisor, indicating the name of the Franchisee and stating that the Franchise is independently owned and operated. Franchisee's business forms that bear the Marks shall contain Franchisee's name and a statement that the Franchise is independently owned and operated in such form as Franchisor may specify.

### **Article 9 - Renewal**

#### 9.01 Conditions of Renewal.

Franchisee will be permitted to renew the Franchise Agreement for two additional terms of ten (10) years each upon the following terms and conditions:

9.01.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its affiliates and must not have made more than two late payments within the last three years for which Franchisor gave written notice(s) of breach, which notice(s) were not withdrawn by Franchisor;

9.01.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor or its affiliates and Franchisee and must have substantially complied with the operating standards and other criteria contained in the Manual or otherwise communicated in writing by Franchisor;

9.01.03 Franchisee shall pay a renewal fee as established at the time by Franchisor, but which shall be not more than two thirds of the then-current Initial Fee, such renewal fee payable in full at the time of execution of the new Franchise Agreement

9.01.04 Franchisee shall execute a general release, in a form satisfactory to Franchisor of any and all claims against Franchisor its officers, directors, shareholders and employees, in their corporate and individual capacities.

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9.01.05 Franchisee shall execute Franchisor's then-current form of Franchise Agreement, which may include material differences;

9.01.06 Franchisee must maintain possession of the premises identified in Exhibit 1 for the renewal term or obtain a substitute location for the Store approved by Franchisor;

9.01.07 Franchisee, at Franchisee's sole cost and expense, shall remodel or refurbish the Store to be consistent with the then current image of the System and to meet Franchisor's then current specifications;

9.01.08 Franchisee shall give Franchisor written notice of intent to renew at least nine months, but not more than eighteen months before the end of the term of this Agreement; and

9.01.09 Franchisee must not, during the preceding term, have engaged in any business dealings which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, any other franchisee, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee, Franchisor or of another franchisee.

## **Article 10 - Continuation**

If, following the termination or expiration of this Agreement for any reason, whether voluntary or involuntary, Franchisee continues to operate the Store with the express or implied consent of Franchisor, but without a renewal franchise agreement, such continuation shall constitute a month-to-month extension of this Agreement and shall be terminable by either party upon the lesser of (a) thirty (30) days written notice or (b) such shorter notice by Franchisor as would otherwise be applicable in a termination for cause. Franchisee acknowledges and agrees that such continuation shall be cause for termination of this Agreement. Both parties shall continue to be subject to all terms of this Agreement during any such continuation period.

## **Article 11 - Entity Franchisee**

### **11.01 Entity Definition.**

"Entity" means any form of business organization except for a sole proprietorship and includes all kinds of corporations, limited liability companies, limited partnerships and general partnerships and any other form of business organization involving either multiple equity owners or which attempts to provide limited liability.

### **11.02 Liability of Owner(s).**

If Franchisee is an Entity, every owner of an equity or other interest in the Entity (and any individual person who is an owner of the entity) shall personally guaranty this Agreement in the form of Exhibit 4 hereto.

### **11.03 Restriction on Certificates of Ownership.**

Each and every document, if any, issued by any Franchisee that is an Entity evidencing ownership of an equity or other interest in the Entity must provide as follows:

"Ownership of this [insert type of Entity] is restricted and cannot be transferred, assigned, sold or encumbered except in compliance with the **Peace, Love and Little Donuts, LLC** Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_. Any other transfer or attempted transfer is void."

### **11.04 Additional Requirements of Entity Franchisee.**

Franchisee shall, upon Franchisor's request, provide Franchisor or its designee with true copies of such of Franchisee's Entity records and documents as Franchisor may reasonably request. An Entity Franchisee shall, at all times, have one individual person who shall be the designated principal who shall have authority to act on behalf of the Entity in all respects under this Agreement. The designated principal shall be the individual who is responsible for assuring compliance by the Entity with all of the terms of this Agreement. Notwithstanding the requirement of a designated principal, Franchisor shall be entitled to rely upon the acts or words of any principal, employee or agent of an Entity Franchisee whom Franchisor understands to be acting or speaking on behalf of the Entity.

### **11.05 Assignment to an Entity.**



Notwithstanding the foregoing, if Franchisee is an individual, Franchisee may assign this Agreement to an Entity, which is wholly owned by Franchisee; provided that the Franchisee shall first provide written notice of the assignment to Franchisor and shall personally guarantee the performance of this Agreement. If Franchisee is an Entity, Franchisee may assign this Agreement to another Entity which has exactly the same ownership, including percentages of ownership as Franchisee; provided that each of the individual equity or other owners of the new Entity shall personally guarantee the performance of the Agreement. Franchisee shall pay to Franchisor a processing fee of five hundred dollars (\$500.00) for an assignment pursuant to this paragraph 11.05.

## **Article 12 - Assignment or Transfer**

### **12.01 Prior Consent.**

Franchisee shall not assign, transfer, sell, sublease, sublicense or encumber (collectively, "Assign" or "Assignment") this Agreement, in whole or in part, the Franchisee, the Franchise or the assets of the Franchise without Franchisor's prior written approval. For purposes of this Paragraph 12.01, the terms "Assign" or "Assignment" shall include any assignment, transfer, sale or encumbrance of any shares of stock of a Franchisee that is a corporation, any partnership interest of a Franchisee that is a partnership, any membership interest of a Franchisee that is a limited liability company, and any equity or ownership interest or rights in any other form of entity. Any attempted Assignment without Franchisor's prior written consent shall be void and a breach of this Agreement.

### **12.02 Conditions of Assignment.**

As preconditions for obtaining Franchisor's consent to an Assignment, at least the following terms and conditions must be met:

12.02.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies;

12.02.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor or its affiliates and Franchisee;

12.02.03 Franchisee must have paid in full all debts in connection with the Franchise;

12.02.04 The assignee must have agreed to assume all of the obligations of the Franchise;

12.02.05 Franchisee must execute, at Franchisor's option, a mutual termination of this Agreement and a general release, or an assignment of this Agreement and a general release, and an agreement to defend, hold harmless and indemnify Franchisor from any claim by the assignee in a form specified by Franchisor.

12.02.06 The assignee must pay to Franchisor a Transfer Fee in the amount of Seven Thousand, Five Hundred Dollars (\$7,500) and execute, at Franchisor's option, the then current form of Franchise Agreement or an assumption of this Agreement;

12.02.07 The assignee must, in the sole opinion of Franchisor, successfully complete the then current initial training program at the assignee's sole cost and expense;

12.02.08 The assignee must have met the then current standards of Franchisor for experience, financial strength, reputation and character required of new or renewal Franchisees;

12.02.09 Unless a new location has been approved in writing by Franchisor, the assignee must obtain such approvals as may be required to assume occupancy and possession of the premises upon which the Store is located; and,

12.02.10 Franchisor must have been given at least thirty (30) business days written first right of refusal by Franchisee, upon the same terms as those agreed upon by Franchisee with any proposed assignee; provided, however, Franchisor may substitute cash of equivalent value for any non-cash term. If Franchisor waives or fails to exercise its right of first refusal, if Franchisee thereafter agrees to accept a revised offer, regardless of the nature of the revision, Franchisor shall have a new right of first refusal hereunder on the new terms.

### 12.03 Approval Process.

Franchisor may use its own discretion in approving or rejecting prospective transferees in the same manner as if it was approving or rejecting any other new prospective franchisee, taking into consideration such factors as their financial ability, character, business reputation, experience and capability to conduct the type of business involved. The approval of one Assignment does not obligate Franchisor to approve any other or subsequent Assignment.

### 12.04 Transfer by Franchisor.

There shall be no restriction upon Franchisor's right to encumber, transfer or assign this Agreement or the System. Following such a transfer or assignment, Franchisor shall have no further obligation or liability to Franchisee hereunder or otherwise so long as the assignee or transferee agrees to assume all of Franchisor's liabilities and obligations to Franchisee.

### 12.05 No Sublicensing.

Franchisee shall not, directly or indirectly, sublicense or attempt to sublicense the Marks or the System or any part thereof to any person or entity for any purpose. Any attempted or purported sublicense shall be void.

## **Article 13 - Death or Incapacity**

### 13.01 Alternatives upon Death or Incapacity.

In the event of the death or incapacity of an individual franchisee, or, if Franchisee is an Entity, of any individual equity or other owner of the Entity, the heirs, beneficiaries, devisees or legal representatives of said individual shall, within ninety (90) days of such event:

13.01.01 Apply to Franchisor for the right to continue to operate the franchise and the Franchise for the duration of the term of this Agreement and any renewals hereof, which right to continue to operate will be granted upon the fulfillment of all of the conditions set forth in Article 12 of this Agreement (except that no transfer fee shall be required); or

13.01.02 Sell, transfer or convey Franchisee's interest to a third party in compliance with the provisions of Article 12 of this Agreement; provided, however, if a proper and timely application for the right to continue to operate has been made and rejected, the ninety (90) days to sell, transfer or convey shall be computed from the date of said rejection. For purposes of this paragraph, Franchisor's silence on an application to continue to operate through the ninety (90) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

### 13.02 Effect of Failure to Comply.

In the event of the death or incapacity of an individual franchisee, or any owner of an equity or other interest in an Entity franchisee where the provisions of this Article have not been fulfilled within the time provided, all rights granted to Franchisee under this Agreement shall, at the option of Franchisor, terminate and the parties shall proceed according to and have the rights provided for in Articles 17 and 18 of this Agreement.

## **Article 14 - Successors and Assigns**

This Agreement shall bind and inure to the benefit of the successors, permitted transferees and assigns, personal representatives, heirs and legatees of the respective parties hereto.

## **Article 15 – Default and Termination**

15.01. Automatic Termination without Notice. Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee if: Franchisee or any majority owner of Franchisee is adjudicated as bankrupt or insolvent; all or a substantial part of the assets of the Store are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against Franchisee or any majority owner of Franchisee and is not immediately contested and/or dismissed within thirty (30) days from filing; a bill in equity or other proceeding for the appointment of a receiver

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or other custodian of Franchisee, the Store or assets of either is filed and consented to by Franchisee; a receiver or other custodian (permanent or temporary) of all or part of Franchisee's 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 Franchisee or the Store; Franchisee is dissolved; execution is levied against Franchisee, the Store or its property; or, the real or personal property of Franchisee is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

15.02 Termination by Franchisor upon Notice – No Opportunity to Cure. Franchisee shall be in material breach of this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisee's 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 Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

- i. Franchisee does not select a location for the Store acceptable to Franchisor, for which Franchisee has entered into a purchase or lease agreement within eighteen (18) months of the date of this Agreement,
- ii. Franchisee at any time ceases to operate the Store or abandons the Franchise relationship;  
or
- iii. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement; or
- iv. Franchisor and Franchisee agree in writing to terminate this Agreement; or
- v. Franchisee or any person having an equity interest of Franchisee's legal entity is convicted of, or pleads guilty to or no contest to, a felony, fraud, crime involving moral turpitude, or any other crime or offense which Franchisor reasonably believes is related to Franchisee's operation of the Store, or Franchisor has proof that Franchisee or any person having an equity interest of Franchisee's legal entity has committed such a felony, fraud, crime or other offense, or Franchisee or any person having an equity interest of Franchisee's legal entity otherwise engages in any activity that is likely to have an adverse effect on the System, the Marks, the goodwill associated with the Marks or Franchisor's interest in the System or Marks or Store; or
- vi. A threat or danger to public health or safety results from Franchisee's continued operation of the Store; or
- vii. Franchisee or any person having an equity interest of Franchisee's legal entity purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the assets of the Store to any third party in violation of the terms of this Agreement;
- viii. Franchisee or any person having an equity interest of Franchisee's legal entity under the terms of the Personal Guarantee agreement does not comply with the covenant not to compete during the term of this Agreement, or violates the restrictions pertaining to the use of confidential information contained in this Agreement, or does not obtain the execution of the covenants and related agreements required under this Agreement and ensure the compliance and non-breach of the same, including the Confidentiality, Non-Solicitation and Non-Compete Agreements with appropriate parties as provided in this Agreement; or
- ix. Before the commencement of operations of the Store, Franchisor determines that Franchisee has failed to attend or successfully complete the initial training program; or

x. Franchisee conceals revenues, knowingly maintains false books or records, falsifies information or otherwise defrauds or makes false representations to Franchisor, or knowingly submits any substantially false report to Franchisor; or

xi. A deficiency revealed upon the completion of any inspection or audit equals or exceeds three percent (3%) of the correct amount of any fee or other amounts due to Franchisor from Franchisee; or

xii. Franchisee refuses Franchisor permission to inspect, or to conduct an operational and/or financial audit of the Store and the Store books, records, and other documents pursuant to Franchisor's right to audit; or

xiii. Franchisee takes, withholds, misdirects or appropriates for Franchisee's own use any funds withheld from Franchisee's employees' wages which should have been set aside for the Store's employees' taxes, FICA, insurance or benefits, or Franchisee wrongfully takes or appropriates for Franchisee's own use any property or funds of Franchisor, or systemically fails to deal fairly and honestly with Franchisee's employees or other franchisees, or knowingly permits or, having discovered the facts, fails to take any action against or to discharge any agent, servant or employee who has embezzled any funds or property of Franchisor or others; or

xiv. If Franchisee has received two (2) previous notices of default from Franchisor of the same provision of this Agreement and is again in default of the provision of the Agreement within a twelve (12)-month period, regardless of whether Franchisee cured the previous defaults; or

xv. Franchisee makes a willful misrepresentation or does not make a material disclosure required by any government entity regarding any matter involving or affecting the operations of the Store; or

xvi. Franchisee interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; or

xvii. Franchisee interferes or attempts to interfere with Franchisor's ability or right to license or license others to use and employ the Marks and System or Franchisee makes any use of the Marks not authorized under this Agreement; or

xviii. Franchisee does not comply, for a period of ten (10) days after notification of non-compliance by Franchisor or any government entity, with any federal, state or local law or regulation applicable to the operation of the Store, and does not resort to an appropriate administrative or judicial forum for relief therefrom; or

xix. Franchisee offers or sells as part of the Store any unapproved product or service, or does not use and disseminate (as applicable) all materials, notices and procedures specified by Franchisor; or

xx. Franchisee uses or duplicates any aspect of Franchisor's System, services, programs or products in an unauthorized fashion; or

xxi. Franchisee breaches the provisions relating to advertising standards.

xxii. Franchisee loses its right to possession of the premises upon which the Store is located and a substitute location has not been approved by Franchisor.

15.03. Termination by Franchisor – Thirty (30) Days to Cure. Except as provided above, Franchisee will have thirty (30) days after Franchisor furnishes Franchisee with a written notice of default in accordance with this Agreement to remedy any default under this Agreement and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time or any longer period that applicable law may require, this

Agreement will terminate immediately upon expiration of the thirty (30) day period, or any longer period required by applicable law. Franchisee will be in default of this Agreement for any failure to substantially comply with any of the requirements imposed upon Franchisee by this Agreement, as it may from time to time be supplemented by the Operations Manual and all supplements thereto, or otherwise, or to carry out the terms of this Agreement in good faith. These defaults include, without limitation, the following events:

- i. Franchisee fails, refuses or neglects to pay promptly when due any fees owing to Franchisor or its affiliates; or
- ii. Franchisee fails, refuses or neglects to submit the financial and non-financial reports and other information required to be submitted to Franchisor under this Agreement, the Operations Manual or other written notice; or
- iii. Franchisee fails to maintain the mandatory standards or follow the mandatory procedures prescribed by Franchisor in this Agreement, the Operations Manual or other written notice; or
- iv. Franchisee does not pay employee taxes when due or does not pay all obligations to any third parties; or
- v. Franchisee does not participate in the programs related to training, advertising and sales promotion set forth in this Agreement; or
- vi. Franchisee does not indemnify Franchisor as required by this Agreement; or
- vii. Franchisee defaults under any agreement between Franchisee and the lessor of the Store, and the default is not cured within the period required in the lease;
- viii. Franchisee defaults under any agreement between Franchisee and a lender that finances any purchases relating to the Store, including without limitation the purchase of fixtures, equipment, furniture, computers and signs, and the default is not cured within the period required in the financing documents;
- ix. Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Store, Franchisor or the System; or
- x. Franchisee does not maintain and operate the Store in a good, clean and sound manner, in strict compliance with Franchisor's standards of quality, cleanliness and maintenance; or
- xi. Following Franchisee's death or disability, continued operation of the Store or an approved assignment is not effectuated within six (6) months thereafter; or
- xii. Franchisee repeatedly fails to comply with one (1) or more requirements of this Agreement, whether or not corrected after notice; or
- xiii. Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval where consent is required by this Agreement; or
- xiv. Franchisee does not purchase or maintain all insurance required by this Agreement; or
- xv. Franchisee does not comply with any other lawful provision or requirement of this Agreement or any specification, standard or operating procedure prescribed by Franchisor pursuant to this Agreement or the Operations Manual.

15.04. Cross-default Breach. Any default or breach by Franchisee of any other agreement between Franchisor or its affiliates and Franchisee will be deemed a default under this Agreement, and any default or breach of this Agreement by Franchisee will be deemed a default or breach under any and all other agreements between Franchisor (or any of its affiliates) and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor (or its affiliate) will have the right to terminate all the other agreements between Franchisor (or any of its affiliates) and Franchisee in the same manner provided for in this Agreement for termination of this Agreement.

15.05. Notice Required By Law. If any valid, applicable law or regulation of a competent government entity with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor 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.

15.06. Franchisor Alternative Remedies. Franchisor may, upon breach by Franchisee under Section 15 B. or C. above, as an alternative to termination of this Agreement in such instance, either: allow the Franchisee to continue to operate the Store and terminate the Franchisee's Territorial Rights with the ability to later terminate the Franchise Agreement upon written notice to Franchisee; or Franchisor may acquire the Store by providing payment to Franchisee for the fair market value of all of Franchisee's assets, as determined by a panel of three reasonably qualified appraisers, one (1) selected by Franchisor, one (1) selected by Franchisee, and the third jointly selected by the first two (2) appraisers. In such instance, Franchisee shall accept such payment and cooperate with Franchisor to complete said acquisition.

## **Article 16 - Competition with Franchisor**

16.01 Non-Solicitation of Customers/Employees. Franchisee covenants that, during the term of this Agreement, and for a period of eighteen (18) months thereafter, it will not, directly or indirectly: (1) divert or attempt to divert any business, account or customer of the Store or any other Peace, Love and Little Donuts stores or the System to any competing business; and (2) employ or seek to employ any person employed by Franchisor, or any other person who is at that time operating or employed by or at any other Peace, Love and Little Donuts store or otherwise directly or indirectly induce such persons to leave their employment. Unless otherwise specified, the term "Franchisee" as used in this Section and in Sections 16.02 and 16.03 includes, collectively and individually, Franchisee or any of Franchisee's affiliated entities' principals, all other principals, guarantors, officers, directors, members, managers and partners, as the case may be, and holders of any ownership interest in Franchisee or any of Franchisee's affiliated entities.

16.02 Non-Competition during Term. Franchisee will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any retail sales of donuts, coffee or any other related business that is competitive with or the same as or similar to the Store, except with Franchisor's prior written consent.

16.03 Non-Competition after Termination. Franchisee will not for a period of eighteen (18) months after this Agreement expires or is terminated, on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any retail sales of donuts and coffee, or any other related business that is competitive with, the same as, or similar to a Peace, Love and Little Donuts store which is located at the premises upon which the store is or was located or within a twenty (20) mile radius of the Store or any other Peace, Love and Little Donuts store, whether owned by Franchisor or another Franchisee or Licensee. Franchisee expressly agrees that the eighteen (18)-month period and the twenty (20) mile radius are the reasonable and necessary time and distance needed to protect Franchisor if this Agreement expires or is terminated for any reason. Franchisee agrees that the eighteen (18)-month time period of the non-competition provision shall not accrue during any time period that Franchisee is in violation of this covenant.

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Franchisee shall ensure that all principals or other individuals with access to Franchisor's confidential information, including the Manager of the Store or any family member of a principal involved in the Store, have executed a Confidentiality, Non-Solicitation and Non-Compete Agreement consistent with this Section 16.

16.04 Injunctive Relief. Franchisee agrees that damages alone cannot adequately compensate Franchisor if there is a violation of these non-competition covenants and that injunctive relief in accordance with Section 16 of this Agreement is essential for the protection of Franchisor.

#### **Article 17 - Effect of Termination**

17.01 Post-Termination Duties. If this Agreement is terminated or not renewed for any reason, Franchisee will cease to be an authorized Franchisee of Franchisor, and Franchisee will lose all rights to the use of the Marks, the System, all confidential information and know-how owned by Franchisor and any goodwill (including "local" goodwill) engendered by the use of the Marks and/or attributed to Franchisee's conduct of the Store, and Franchisee shall comply with the following unless otherwise directed by Franchisor in writing:

i. Immediately pay all sums due and owing to Franchisor or its affiliates, plus interest thereon, and all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties; and

ii. Discontinue the use of the Marks, and not operate or do business under any name or in any manner that might tend to give the general public the impression that it is operating a Peace, Love and Little Donuts business, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's confidential information, trade secrets, procedures, forms, techniques, know-how or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (without limitation): Peace, Love and Little Donuts products, services, and programs; specifications or descriptions of the products and services; lists of prospective, current and former franchisees, employees and independent contractors; the Operations Manual and any supplements to it; forms, advertising matter, marks, devices, signs, insignia, slogans and designs used in connection with the Store; telephone numbers listed in any telephone directory under any of the Marks licensed under this Agreement or any similar designation or directory listings relating to the Store; and, the systems, procedures, techniques, criteria, concepts, designs, advertising and promotion techniques, specifications, and all other components, specifications and standards, which comprise (or in the future may comprise) a part of the System; and

iii. Take all necessary action to cancel any assumed name or equivalent registration that contains the Mark Peace, Love and Little Donuts or any other Mark of Franchisor, or any variant, within fifteen (15) days following termination or expiration of this Agreement; and

iv. Immediately deliver to Franchisor all training or other manuals furnished to Franchisee (including the Operations Manual and any supplements thereto), 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 the Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the Store; and

v. Immediately execute all agreements necessary to effectuate the termination of this Agreement in a prompt and timely manner; and

vi. Cease using any Internet address or the telephone numbers listed in the Yellow Pages and White Pages of any telephone directories under the name Peace, Love and Little Donuts or any other confusingly similar name or, upon Franchisor's written demand, direct the Internet service provider or telephone company to transfer the Internet address or telephone numbers listed for the Store to Franchisor or to any other person and location that Franchisor directs as provided under the Collateral Assignment of Telephone Numbers/Internet Addresses; and

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vii. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Section 16 of this Agreement; and

viii. Continue to abide by those restrictions pertaining to the use of Franchisor's confidential information, trade secrets and know-how set forth in this Agreement; and

ix. Immediately surrender to Franchisor all computer software, data storage disks or tapes and other electronic media used in the operation of the Store, printouts, and other information pertaining to computer operations, codes, procedures and programming, which Franchisee agrees not to destroy, damage, hide or take any steps to prevent Franchisor from obtaining any information that Franchisee had stored in the computer system of the Store, and Franchisee agrees not to retain any printouts, disks or tapes containing any of the programs or data stored in the computer system; and

x. Upon Franchisor's written request, assign any lease entered into for the premises upon which the Store is located to Franchisor or its assignee as provided under a Conditional assignment of Lease agreement; and

xi. Upon Franchisor's written request, provide Franchisor with the right to purchase from Franchisee any or all of the assets, equipment and signs related to the operation of the Store at fair market value or at Franchisee's depreciated book value, whichever is less, and to purchase any or all supplies and inventory of the Store at Franchisee's cost or depreciated book value, whichever is less; and

xii. If this Agreement is terminated pursuant to Sections 15.02, 15.03 or 15.04 of this Agreement before the expiration of the Initial Term or any Renewal Term, Franchisee shall pay to Franchisor upon termination of the Agreement, a sum equal to (i) the average royalties paid or payable monthly pursuant to Section 2.02 of this Agreement for the twenty-four months prior to termination (or months the Store was operating if less than twenty-four months) multiplied by (ii) the remaining months of the Initial or Renewal Term when the Agreement terminated.

17.02 License Termination. Under all circumstances, upon termination of this Agreement for any reason, any license granted hereunder for Franchisee's right to use the name Peace, Love and Little Donuts and the other Marks and the System will immediately terminate. Franchisee agrees to take all other action, and execute all documents Franchisor may reasonably request, to protect Franchisor's interests in the Marks and the System.

## **Article 18- Arbitration of Disputes.**

### **18.01 Agreement to Arbitrate.**

Except as provided in paragraph 18.04, any controversy or claim or dispute between the parties hereto or between any party hereto and any other person arising out of or relating to this Agreement, the negotiation thereof, the offer or acceptance thereof, or the performance or breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court of appropriate jurisdiction. This Article shall be governed by the Federal Arbitration Act. Any arbitration shall be before a single arbitrator knowledgeable and experienced in the subject matter of the dispute and shall take place in Pittsburgh, Pennsylvania. No party shall join or attempt to join their claims in a single proceeding with the claims of any other party, person or entity even if similarly situated. Unless provided otherwise by the arbitrator, the parties shall bear their own expenses, including their own attorney's fees and costs and shall share equally all expenses of the arbitrator.

### **18.02 Conduct of Arbitration.**

Unless otherwise specifically required by applicable law, demand for arbitration or proceedings in arbitration, or court proceedings shall not operate to stay, postpone, prohibit or rescind any expiration, termination or non-renewal of this Agreement as provided in this Agreement, and the parties will be limited to their remedy in damages, as determined by the court or arbitrator, for non-renewal or termination found by the arbitrator to be wrongful. Damages would be an adequate remedy for any such wrongs. The court or arbitrator shall not extend,

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modify or suspend any of the terms of this Agreement or the reasonable standards of business performance set by Franchisor. The arbitrators shall permit discovery between the parties pursuant to the Federal Rules of Civil Procedure.

#### 18.03 Conditions Precedent to Arbitration.

As conditions precedent to commencing an arbitration proceeding pursuant to this Agreement, the parties shall first comply with the terms of this paragraph 18.03. Failure to comply with this paragraph shall be a material breach of this Agreement and shall entitle the non-defaulting party to an award of all of their attorney's fees and costs reasonably expended in enforcing the terms of this paragraph. Such award of attorney's fees shall be made by the court enforcing this paragraph and shall be paid by the breaching party before and as a condition precedent to further proceeding in accordance with this Article. For the limited purpose of enforcing this paragraph 18.03, each party hereby waives arbitration, and the matter shall be heard in the Court of Common Pleas of Allegheny County, Pennsylvania. Within not more than sixty days following the date on which the aggrieved party first discovered or reasonably should have discovered the facts of a dispute between the parties, but not more than one year after the date of the events or facts which gave rise to the dispute, the aggrieved party shall give a Notice to the other party (and any involved other persons) of the existence of the dispute, and shall set forth, in writing, a detailed description of the relevant facts together with a reasonably detailed description of the legal basis of the claim. The Notice shall include a detailed description by the aggrieved party of the remedy or outcome desired. The non-aggrieved party shall respond to the Notice within thirty days following its receipt. If the Notice and response does not resolve the dispute, the parties shall meet, in person, within sixty days following the date of the non-aggrieved party's response, in the corporate offices of the Franchisor, and attempt to informally resolve the matter. If the informal meeting does not resolve the matter, the parties shall, within sixty days following the date of the informal meeting, submit to non-binding mediation in Pittsburgh, Pennsylvania with a mediator selected according to the rules of the American Arbitration Association. If the dispute is not resolved through mediation, then either party may commence an arbitration proceeding, but must do so within ninety days following the date that either party or the mediator has declared the mediation terminated. The demand for arbitration shall contain a certificate by the party commencing arbitration that the party has fully complied with every provision of this paragraph 18.03. Copies of the Notice and the response thereto exchanged pursuant to this paragraph shall be attached to the demand for arbitration and the issues in the arbitration shall be limited to matters contained therein.

#### 18.04 Limited Exceptions to Arbitration and Mediation.

The requirements of paragraphs 18.01, 18.02, and 18.03 shall not apply to actions for the sole purpose of collecting unpaid money, including franchise fees, royalties or Marketing Fees pursuant to this Agreement or to actions for the sole purpose of enforcing Franchisor's rights in the Marks (both for injunctive relief and damages), the Trade Secrets or the covenant against competition. Such actions and claims are not submitted to arbitration. Any such actions and claims shall be brought in the Court of Common Pleas of Allegheny County, Pennsylvania. Any counterclaims to such actions and claims are submitted to arbitration and shall be subject to paragraphs 18.01, 18.02 and 18.03.

### Article 19 - Representations of Franchisee

#### 19.01 Representations

Franchisee represents and warrants as follows:

19.01.01 Franchisee is not currently a party to or subject to any contract or agreement, including any other franchise agreement, employment agreement or any covenant not to compete which would directly or indirectly be breached by entering into this Agreement or which would directly or indirectly prohibit or restrict Franchisee's signing of this Agreement or performance thereunder;

19.01.02 Franchisee is basing Franchisee's decision to purchase this license, in full, upon statements and representations contained in this Agreement and the **Peace, Love and Little Donuts** Franchise Disclosure Document and upon facts obtained pursuant to Franchisee's own investigation. Franchisee is not relying upon any statements or any information received either directly or indirectly from Franchisor or any person acting or purporting to act on behalf of Franchisor which information or statements are not contained in this Agreement or the **Peace, Love and Little Donuts** Franchise Disclosure Document or otherwise in writing and signed by an

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officer of Franchisor. Franchisee has not received any earnings claims or financial performance information, directly or indirectly, from Franchisor excepting only such information as may be contained in Item 19 of the **Peace, Love and Little Donuts** Franchise Disclosure Document.

## **Article 20 - Miscellaneous Provisions**

### **20.01 Nonwaiver.**

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

### **20.02 Attorneys Fees.**

If legal action is properly commenced in court by either party to enforce this Agreement or to determine the rights of any party, as permitted by paragraph 18, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive reasonable attorney's fees and costs incurred, including any expert fees and fees on appeal.

### **20.03 Severability.**

If any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction or by an arbitration panel, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

### **20.04 Warranty of Authority.**

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he/she has full authority to sign and to legally bind the party.

### **20.05 Paragraph Headings.**

The various paragraph headings are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

### **20.06 Recitals.**

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs. All references to "Franchisee" shall include all owners, parents and subsidiaries of Franchisee if Franchisee is an entity.

### **20.07 No Third-Party Beneficiary.**

Nothing in this Agreement shall be construed to give Franchisee any rights as a third-party beneficiary or otherwise arising out of any similar or other agreement(s) between Franchisor and any other franchisee(s). Nothing in this Agreement shall be construed to give to any other franchisee or any other person any rights arising out of this Agreement. Any action or inaction by Franchisor with regard to any other franchisee's performance or non-performance as to any term of this or any similar agreement shall not give rise to any claims or rights in favor of Franchisee under this Agreement.

## 20.08 Choice of Law.

This Agreement shall be construed under the laws of the State of Pennsylvania. In the event of any conflict of law, Pennsylvania law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Pennsylvania law, and if the Territory, as applicable, is located outside of Pennsylvania and such provision would be enforceable under the laws of the state in which the Territory is predominantly located, then such provision shall be construed under the laws of that state.

## 20.09 Notices.

All notices required or permitted by this Agreement ("Notice" or "Notices") shall be sent to the respective parties at the addresses set forth herein. The place of Notice may be modified by appropriate Notice to the other party. All Notices shall be sent by certified mail, return receipt requested, postage prepaid, personally delivered, or by facsimile, overnight delivery, or telegraph. Notices shall be deemed given at the earlier of (a) receipt by the addressee, including by facsimile or electronic mail, (b) two (2) days following deposit with the United States Postal Service or its successor, with postage prepaid, or (c) immediately upon refusal of delivery by the addressee.

## 20.10 Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior or contemporaneous representations, promises, contracts or agreements not contained in this Agreement, or the Franchise Disclosure Document presented herewith are hereby fully superseded.

## 20.11 Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Franchisor. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Franchisor.

## 20.12 Effective Date.

This Agreement shall have no force or effect unless and until signed by an officer of Franchisor. The effective date shall be the date of such corporate signature. Notwithstanding the order of signatures, this Agreement shall be deemed made and entered into in the state where the Franchise is located.

## 20.13 Time of Essence.

Time is of the essence of this Agreement.

## Article 21 - Business Risk.

### 21.01 No Promises.

Franchisee has been informed by Franchisor, realizes and acknowledges that the business venture contemplated by this Agreement involves business risks and its success or failure will be largely dependent upon Franchisee's abilities in operating and managing the Franchise. Except to the extent expressly set forth in the **Peace, Love and Little Donuts** Franchise Disclosure Document, neither Franchisor nor anyone acting or purporting to act on behalf of Franchisor has made any promises or warranties, expressed or implied, as to Franchisee's potential sales, profits or success. As to those issues, Franchisee has made its own investigation and evaluation.

### 21.02 Receipt for Disclosure Document.

Franchisee has received a copy of this Agreement and the **Peace, Love and Little Donuts** Franchise Disclosure Document at least fourteen (14) calendar days before signing this Agreement or paying any fee to Franchisor. Franchisee has received a complete copy of this Agreement and all exhibits and addenda, with all material blanks filled in, at least five (5) days before signing this Agreement. Franchisee has been encouraged and provided ample opportunity to consult an attorney or other advisor(s) of its own choosing before entering into this Agreement.

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**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year indicated below.

Dated: \_\_\_\_\_ [effective date]

Date signed: \_\_\_\_\_

**Peace, Love and Little Donuts, LLC.**  
(Franchisor/Assignee)

**FRANCHISEE**  
(Assignor)

By \_\_\_\_\_  
**Ronald V. Razete**, President & CEO  
104 Marshall Drive  
Pittsburgh, PA, 15222

\_\_\_\_\_  
Franchisee  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **EXHIBIT 1 TO FRANCHISE AGREEMENT**

### **Location of Franchise**

The location of Franchisee's "Peace, Love and Little Donuts" Store shall be:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

**EXHIBIT 2 TO FRANCHISE AGREEMENT**

**Territory**

Franchisee's designated Territory shall be defined as follows:

The geographic boundaries of the Territory are \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The estimated population of the Territory is: \_\_\_\_\_

Map(s) if any is attached:

### EXHIBIT 3 - FRANCHISE AGREEMENT

#### DIRECT DEBIT AUTHORIZATION AGREEMENT

#### FOR PRE-ARRANGED PAYMENTS

Franchisee: \_\_\_\_\_  
(Name Legal Entity)

ID #: \_\_\_\_\_  
(SS# or EIN)

The undersigned depositor ("Depositor"), as the "Franchisee" under that certain Franchise Agreement between Depositor and PEACE, LOVE AND LITTLE DONUTS, LLC ("Franchisor") dated \_\_\_\_\_, desire to initiate debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below and the Depositor's depository bank designated below ("Depository Bank") to debit or credit such account(s) pursuant to Franchisor's written instructions to Depository Bank.

\_\_\_\_\_  
Depository Bank

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
ZIP Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

\_\_\_\_\_  
The Depository Bank agrees to accept such written instructions from Franchisor with regards to debit entries and/or credit correction entries, which authority is to remain in full and force and effect until sixty (60) days after Franchisor and Depository Bank have received written notification from Depositor of its termination or withdrawal of the same. Depository Bank shall provide Franchisor and Depositor with any additional documentation or agreement necessary for Depository Bank to process the foregoing transactions, and Franchisor and Depositor agree to cooperate with each other regarding the execution and delivery of such documentation. The parties hereto acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce all terms hereunder.

DEPOSITOR:

DEPOSITORY BANK:

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit 2 - Territory**

Peace, Love and Little Donuts

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## EXHIBIT 4 TO FRANCHISE AGREEMENT

### Personal Guaranty

IN CONSIDERATION of and to induce the consent by Peace, Love and Little Donuts, LLC, a **PA** limited liability company ("Franchisor") to the assignment of all right, title, and interest in and to the **Peace, Love and Little Donuts** Franchise Agreement dated \_\_\_\_\_ to \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of organization] ("Franchisee"), [or alternatively, in consideration of and to induce Franchisor's consent for the undersigned to enter into the Franchise Agreement in the Entity form], and for other good and valuable consideration, I/we, and each of us jointly, severally, absolutely and unconditionally guarantee to Franchisor:

#### 1.01 Payment of Obligations.

The punctual payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of every nature whatsoever, including expenses, damages and fees, now or hereafter existing, due or to become due, or held by Franchisor, its subsidiaries, divisions, or related companies, together with any interest as it may accrue, and all costs, expenses and attorney's fees paid or incurred by Franchisor or its subsidiary, division, or related company in collecting or attempting to collect the obligations of the Franchisee or in enforcing or attempting to enforce this Guaranty; and

#### 1.02 Continuing Performance.

The timely performance of each term, covenant, and obligation of the license set forth in the **Peace, Love and Little Donuts** Franchise Agreement described above. This is a continuing Guaranty which shall apply to the Franchise Agreement and any subsequent renewals, extensions, amendments or modifications thereof, and such renewals, extensions, amendments or modifications shall be conclusively presumed to be covered by this Guaranty without further notice to or acceptance by the undersigned.

#### 2.01 Execution and Delivery.

The undersigned acknowledge(s) and agree(s) that possession of this Guaranty by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor, and the undersigned waive notice of acceptance of this Guaranty and of the incurrence by Franchisee of any liability to which it applies or may apply, and waive presentment and demand for payment thereof, protest, notice of protest and notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof or other notice to, or demand of payment therefore on, any party. The undersigned further waive any right to have security applied before enforcing this Guaranty, any right to require suit against the Franchisee or any other party before enforcing this Guaranty, and any right to subrogation to Franchisor's rights against the Franchisee until the Franchisee's liabilities and obligations to Franchisor are paid and satisfied in full. Payment by the undersigned shall be made at the office of Franchisor in Moon Township, Pennsylvania or such other location as Franchisor may designate in writing.

#### 3.01 Rights of Company

Franchisor may, at its option, at any time, without the consent of or notice to the undersigned, without incurring responsibility to the undersigned and without impairing or releasing the obligations of the undersigned, upon or without any terms or conditions and in whole or in part:

3.01.01 change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any obligation, liability or right of the Franchisee under the Franchise Agreement hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the guaranty herein made shall apply to the obligations and liabilities of the Franchisee, so changed, extended, renewed or altered;

3.01.02 exercise or refrain from exercising any rights against Franchisee or others, or otherwise act or refrain from acting;

3.01.03 settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and



3.01.04 apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee remain unpaid. Franchisor may, at its option, without the consent of or notice to the undersigned, apply to the payment of the liability created by this guaranty, at any time after such liability becomes payable, any moneys, property, or other assets belonging to the undersigned in the possession, care, custody and control of Franchisor.

#### 4.01 Irrevocable.

This agreement shall not affect in any manner the right of Franchisor to terminate the Franchise Agreement pursuant to the terms thereof, and this Guaranty shall survive the termination, expiration, or cancellation of the Franchise Agreement. Franchisor may at its option, elect to take no action pursuant to this Guaranty or the Franchise Agreement without waiving any rights under either. The undersigned do further agree that it will not be necessary for Franchisor, in order to enforce the terms of this agreement against them, to first institute suit or exhaust its remedies against the Franchisee or any others. This Guaranty shall operate as a continuing Guaranty and shall be irrevocable, except with the express written consent of Franchisor.

#### 4.02 Joint and Several Liabilities.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

#### 4.03 Successors and Assigns.

This Guaranty shall bind and inure to the benefit of the heirs, executors, administrators, successors, and assigns of Franchisor and of the undersigned.

#### 4.04 Noncompetition.

The undersigned hereby agree that they shall be individually bound by the provisions of the Franchise Agreement relating to trade secrets, confidentiality, and non-competition.

#### 4.05 Bankruptcy or Insolvency of Franchisee.

If a petition in bankruptcy or for an arrangement or reorganization of the Franchisee under any state or federal bankruptcy law or for the appointment of a receiver for the Franchisee or any of its property is filed by or against the Franchisee, or if the Franchisee shall make an assignment for the benefit of creditors or shall become insolvent, all indebtedness and other obligations of the Franchisee shall, for purposes of this Guaranty be immediately due and payable.

WITNESS our hands at \_\_\_\_\_, on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

**EXHIBIT 5 TO FRANCHISE AGREEMENT**  
**TRADE SECRETS AND CONFIDENTIALITY AGREEMENT**

This Agreement is made and entered into by and between \_\_\_\_\_, **Peace, Love and Little Donuts, LLC** (hereinafter, "the Employer") and \_\_\_\_\_, (hereinafter, "Employee").

**WHEREAS**, Employer is engaged in the business of offering and selling **primarily donuts and coffee** under the Marks and using the System, pursuant to a franchise agreement with **Peace, Love and Little Donuts, LLC** (herein, "the Franchise") according to a unique formula and under the trade name and mark, "Peace, Love and Little Donuts".

**WHEREAS**, Employer has a need for a manager or key employee for the Franchise;

**WHEREAS**, Employee is willing and able to become a manager or key employee for the Franchise;

**WHEREAS**, Employer is willing to hire Employee or to promote Employee to the position of manager or key employee of the Franchise, but only upon the terms and conditions set forth herein,

**NOW THEREFORE**, for and in consideration of the mutual covenants herein contained and other good and faithful consideration, the receipt and sufficiency of which is hereby acknowledged by each party, the parties hereby agree as follows:

1. Employment.

Employer agrees to employ Employee as \_\_\_\_\_, and to pay compensation as follows: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

1. Trade Secrets

Employee agrees that all of the information provided to Employee by Employer in the course of employment relating to the Franchise, its operation, management, policies, relationship with its Franchisor, identity of its customers, members and vendors, pricing structures and formulas, product mix, and similar information, constitutes trade secrets. Employee acknowledges that such information has been received only from Employer and that it is not generally available to the public and that it derives independent economic value from not being widely known. Employee acknowledges and agrees that certain items or information to be made available may not, if analyzed in isolation, be trade secrets; however, unless Employer specifically agrees otherwise in writing, all such items and information, when placed in the context of those things which are trade secrets if analyzed in isolation, become and are part of the trade secrets and are subject to this Agreement. Employee further acknowledges that should the information be misappropriated or transferred to any third party, the Employer and Employer's Franchisor would suffer irreparable harm. Trade secrets do not include information on public record or readily available from a third party without consent by Employer.

2. Employer Owns All Incidents

Employer shall be entitled to all of the benefits, profits and other issues arising from or incident to all work, services, and advice of Employee relating to the Trade Secrets or arising out of discussions with Employer regarding same, and in any way communicated to Employer or becoming known to Employer during or after the term of employment.

3. Nondisclosure

Employee shall not at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any unauthorized person(s) any information regarding any trade secret(s) or any proprietary information of Employer. All such information shall be held by Employee in complete confidence. Such information is important, material, and confidential and gravely affects the effective and successful conduct of Employer's Franchise and goodwill. Should Employee, at any time, cease to be an employee of Employer, Employee shall immediately return to the Employer the originals and all copies of all documents or other media containing or representing trade secrets. Breach of any of the terms of this paragraph shall be a material breach of this Agreement. The terms of this paragraph shall survive termination of this Agreement for any reason. Employee shall be in breach of this Agreement during any month in which Employee or any third party has possession or use of any trade secrets in violation of this Agreement.

#### 4. Remedies

Employee agrees that, in the event of alleged breach, Employer shall be entitled, in addition to all other remedies available at law or in equity, to a temporary restraining order, a preliminary injunction and other interim relief and that the maximum bond to be required of Employer for such relief shall be ten dollars (\$10.00). Employee waives any right to a higher bond. Employee agrees that any action taken by Employer pursuant to this Agreement shall not constitute an election of remedies. In addition to, and not in lieu of, an injunction, Employer shall be entitled to a judgment against Employee for the greater of (a) Employer's actual damages (if provable under the circumstances) or (b) liquidated damages calculated as Employee's average monthly gross compensation for the last six months (or portion thereof) for which Employee was employed by Employer, multiplied by the number of months during which Employee was in breach of this Agreement. The parties mutually agree that the liquidated damages agreed herein are not a penalty, but are a best good faith effort to estimate what Employer's actual damages would be in the event of a breach under circumstances where actual damages may, because of facts known at that time, not be readily susceptible of accurate calculation.

#### 5. Enforcement by Franchisor

Both Employer and Employee acknowledge and agree that this Agreement is for the benefit not only of the Employer, but also of the Employer's Franchisor, **Peace, Love and Little Donuts, LLC**. Employer and Employee each agree that **Peace, Love and Little Donuts, LLC** shall have the same right to enforce this Agreement as Employer has; provided only that as between Employer and **Peace, Love and Little Donuts, LLC**, they shall be entitled to only one recovery of damages or liquidated damages.

#### 6. Effectiveness

This Agreement shall become effective when signed and shall be enforceable at any time thereafter.

##### 6.1. Nonwaiver.

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

##### 6.2. Attorney's Fees.

If legal action or arbitration is commenced by either party to enforce this Agreement or to determine the rights of any party, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable attorney's fees and costs.

##### 6.3. Severability.

If any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

6.4. Warranty of Authority.

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he/she has full authority to sign and to legally bind the party.

6.5. Paragraph Headings.

The various paragraph headings are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

6.6. Recitals.

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs.

6.7. Choice of Law.

This Agreement shall be governed by and construed under the laws of the state in which the Franchise is located.

6.8. Notices.

All notices required or permitted by this Agreement shall be sent to the respective parties at the addresses set forth herein. The place of notice may be modified by appropriate registered or certified mailing to the other party. All notices shall be sent by certified mail, return receipt requested, postage prepaid, or personally delivered. Notices shall be deemed given at the earlier of (a) receipt by the addressee or (b) two (2) days following deposit with the United States Postal Service or its successor.

6.9. Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior representations, promises, contracts or agreements are hereby fully superseded.

6.10. Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Employer. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Employer.

Date: \_\_\_\_\_

**THE EMPLOYER**

**EMPLOYEE**

By \_\_\_\_\_,  
\_\_\_\_\_, its \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

## EXHIBIT 6 TO FRANCHISE AGREEMENT

### Assignment of Telephone Numbers

\_\_\_\_\_ Franchisee/Assignor, in consideration of Franchisor/Assignee granting a **Peace, Love and Little Donuts** franchise contemporaneously herewith, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby assigns to **Peace, Love and Little Donuts, LLC**. All telephone numbers and listings utilized or to be utilized by Franchisee/Assignor in the operation of his **Peace, Love and Little Donuts** Franchise. The Assignee hereby assumes the performance of all of the Terms, Covenants, and Conditions of the agreement(s) with the telephone company with respect to such telephones, telephone numbers and telephone listings with the same force and effect as if Assignee had been originally issued such telephone, telephone numbers, telephone listings and the usage thereof. This Assignment is valid on the effective date and is irrevocable. It applies equally to any numbers first used after the effective date. The telephone company is authorized to rely upon this Assignment at any time that it is delivered to the telephone company by Franchisor/Assignee. Assignee and Assignor each agree to hold harmless and indemnify the telephone company from any claims based upon the telephone company's reliance upon this Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone company to give effect to this Assignment.

Dated: \_\_\_\_\_ [effective date]

Date signed: \_\_\_\_\_

**Peace, Love and Little Donuts, LLC.**  
(Franchisor/Assignee)

**FRANCHISEE**  
(Assignor)

By \_\_\_\_\_  
**Ronald V. Razete**, President & CEO  
104 Marshall Drive  
Pittsburgh, PA, 15222

\_\_\_\_\_  
Franchisee  
Address: \_\_\_\_\_

\_\_\_\_\_  
Phone: \_\_\_\_\_

**Subject telephone number(s):**  
(as of date of this document)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# **EXHIBIT B-1**

## **CONFIDENTIALITY AND NON-DISCLOURE AGREEMENT**



## NONDISCLOSURE AGREEMENT

This unilateral nondisclosure agreement is between Peace, Love and Little Donuts, LLC, a Pennsylvania limited liability company, (the “**Disclosing Party**”) and \_\_\_\_\_, an individual(s) (the “**Receiving Party**”)

The Disclosing Party has developed certain confidential information that it wants to make available to the Receiving Party for the purpose of responding to a request for proprietary information that may be helpful in business development.

The Receiving Party hereto desires to participate in discussions regarding opening, purchasing, buying and/or operating, a PEACE, LOVE and LITTLE DONUTS, license agreement, store and/or operation (the “**Transaction**”).

The Receiving Party wants to review, examine, inspect, or obtain the confidential information only for the above-described purposes, and to otherwise maintain the confidentiality of that information pursuant to this agreement.

Upon dissemination of said proprietary information to the Recipient, the Recipient will be bound by the terms of this agreement, regardless of whether they open, purchase, buy and/or operate a PEACE, LOVE and LITTLE DONUTS, LLC, franchise store and/or operation.

Therefore, in consideration of this, the parties therefore agree as follows: **1.**

### **1. CONFIDENTIAL INFORMATION.**

The Disclosing Party may (but is not required to) disclose certain of its confidential and proprietary information to the Receiving Party. “**Confidential Information**” means all of Disclosing party’s information and data, whether technical or non-technical, in any medium, furnished or made available directly or indirectly to the receiving in connection with this Agreement, including without limitation:

- (a) information relating to the Disclosing Party or its current or proposed business, including financial statements, budgets and projections, customer identifying information, potential and intended customers, employers, products, computer programs, specifications, manuals, software, analyses, strategies, marketing plans, business plans, and other confidential information, whether provided orally, in writing, or by any other media,

(b) information that is marked confidential, restricted, proprietary or with a similar designation, or if not so designated, that a reasonable person would expect to be considered confidential due to its nature that was or will be:

- (c) all information concerning the operations, affairs, methods, transactions and business of PEACE LOVE and LITTLE DONUTS, LLC, (including without limitation, ideas, marketing plans, business plans or strategies, business volumes or usage, pricing data and other information that are trade secrets or are competitively sensitive)
- (d) any marketing strategies, plans, financial information, or projections, operations, sales estimates, business plans and performance results relating to the past, present or future business activities of such party, its affiliates, subsidiaries and affiliated companies, plans for products or services, and customer or supplier lists, records pertaining to customers or billings; methods of advertising and promotion; bidding, pricing, quoting, and
- (e) billing methods; quality assurance programs; business forms; product and service order forms; proposal contract forms and formats; general operations materials; revenue reports; advertising, promotional, and public relations materials/campaigns/guidelines/philosophy; specifications, system, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning PEACE, LOVE and LITTLE DONUTS, LLC;
- (f) nonpublic personal information relating to PEACE LOVE and LITTLE DONUTS, LLC and its employees, customers, equipment, suppliers and other contractual partners;
- (g) any other information that should reasonably be recognized as confidential information of the Disclosing Party. Confidential Information need not be novel, unique, patentable, copyrightable or constitute a trade secret in order to be designated Confidential Information. The Receiving Party acknowledges that the Confidential Information is proprietary to the Disclosing Party, has been developed and obtained through great efforts by the Disclosing Party and that Disclosing Party regards all of its Confidential Information as trade secrets;
- (h) all notes, analyses, compilations, studies, summaries, and other material, whether provided orally, in writing, or by any other media, that contain or are based on all or part of the information described in the above subsections (the “**Derivative Materials**”).

**Confidential Information** is information that was or will be:

- (i) provided or shown to the Receiving Party or its directors, officers, employees, agents, and representatives (each a “**Receiving Party Representative**”) by or on behalf of the Disclosing Party or any of its directors, officers, employees, agents, and representatives (each a “**Disclosing Party Representative**”); or
- (ii) obtained by the Receiving Party or a Receiving Party Representative from review of documents or property of, or communications with, the Disclosing Party or a Disclosing Party Representative; and The Disclosing Party shall identify Confidential Information disclosed orally as confidential within 5 days of disclosure. The Disclosing Party’s failure to identify information as Confidential Information is not an acknowledgment or admission by the Disclosing Party that that information is not confidential and is not a waiver by the Disclosing Party of any of its rights with respect to that information.



## 2. OBLIGATION TO MAINTAIN CONFIDENTIALITY.

(a) **Confidentiality.** The Receiving Party shall, and shall ensure that each Receiving Party Representative, keep the Confidential Information confidential. Except as otherwise required by law, the Receiving Party and Receiving Party Representatives may not:

(i) disclose any Confidential Information to any person or entity other than:

A. a Receiving Party Representative who needs to know the Confidential Information for the purposes of its business with the Disclosing Party; and

B. a Receiving Party Representative who signs a confidentiality agreement; and

C. with the Disclosing Party's prior written authorization; or

(ii) use the Confidential Information for any purposes other than those contemplated by this agreement.

(b) **Restrictions.** The Receiving Party shall not at any time copy, duplicate, record or otherwise reproduce any of the foregoing confidential information or material, in whole or in part, or otherwise make same available to any third party except as authorized herein.

(c) **Term.** The Receiving Party shall, and shall require each Receiving Party Representative to, maintain the confidentiality and security of the Confidential Information until the earlier of: (i) such time as all Confidential Information disclosed under this agreement becomes publicly known and is made generally available through no action or inaction of the Receiving Party or (ii) the third anniversary of the disclosure. However, to the extent that the Disclosing Party has disclosed information to the Receiving Party that constitutes a trade secret under law, the Receiving Party shall protect that trade secret for as long as the information qualifies as a trade secret.

## 3. EXCLUSIONS.

The obligations and restrictions of this agreement do not apply to that part of the Confidential Information that the Receiving Party demonstrates:

(a) was or becomes generally publicly available other than as a result of a disclosure by the Receiving Party in violation of this agreement;

(b) was or becomes available to the Receiving Party on a nonconfidential basis before its disclosure to the Receiving Party by the Disclosing Party or a Disclosing Party Representative, but only if:

(j) the source of such information is not bound by a confidentiality agreement with the Disclosing Party or is not otherwise prohibited from transmitting the information to the Receiving Party or a Receiving Party Representative by a contractual, legal, fiduciary, or other obligation; and

(ii) the Receiving Party provides the Disclosing Party with written notice of such prior possession either (A) before the execution and delivery of this agreement or (B) if the Receiving Party later becomes aware (through disclosure to the Receiving Party) of any aspect of the Confidential

Information as to which the Receiving Party had prior possession, promptly on the Receiving Party so becoming aware; or

- (c) is requested or legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil or criminal investigative demand, or similar process), or is required by a regulatory body, to be disclosed. However, the Receiving Party shall:
  - (i) provide the Disclosing Party with prompt notice of any such request or requirement before disclosure so that the Disclosing Party may seek an appropriate protective order or other appropriate remedy; and
  - (ii) provide reasonable assistance to the Disclosing Party in obtaining any such protective order.

If a protective order or other remedy is not obtained or the Disclosing Party grants a waiver under this agreement, then the Receiving Party may furnish that portion (and only that portion) of the Confidential Information that, in the written opinion of counsel reasonably acceptable to the Disclosing Party, the Receiving Party is legally compelled or otherwise required to disclose. The Receiving Party shall make reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any part of the Confidential Information so disclosed; or

- (d) was developed by the Receiving Party independently without breach of this agreement.

#### 4. NON-COMPETITION.

In consideration of the Confidential Information provided by PEACE, LOVE and LITTLE DONUTS, LLC, and its receipt by the Receiving Party, and to protect the integrity of PEACE LOVE and LITTLE DONUTS, LLC, and as a strict condition for the Disclosing Party to enter into negotiations with the Disclosing Party, the Disclosing Party expressly agrees to the following:

(a) In-Term Covenant Not to Compete. The Receiving Party agrees during the Term of this Agreement and any Renewal Term that the Receiving Party will not engage in, or have any financial interest in, either as an individual, principal, owner, agent, employee, partner, stockholder, or director, any business which sells donuts or any related business or in any business by which the Disclosing Party acquired knowledge due to its affiliation with PEACE, LOVE and DONUTS, LLC.

(b) Post-Termination Covenant Not To Compete. If this Agreement is assigned, terminated, or expires, for any reason whatsoever, the Receiving Party expressly agrees not to compete, directly or indirectly, for a period of three (3) years from the date of assignment, termination, or expiration with Peace, Love and Little Donuts, LLC. or any of Peace, Love and Little Donuts, LLC's affiliates, licensees or Franchisees by engaging in (either as an individual, principal, owner, agent, employee, partner, stockholder, director, or in any other capacity) or having any financial interest in any business that sells donuts or in any business of which the Receiving Party acquired knowledge due to its affiliation with PEACE LOVE and DONUTS, LLC.

(c) Persons Bound By Covenants Not To Compete. Any person or entity having any legal or beneficial relationship to or interest in or traceable to, down, or through the

but shall not be limited to the Receiving Party's, spouse, heirs, assignees, or any successors in interest.

(d) Court Modification of Agreement. The Receiving Party agrees that this form of Agreement is prepared for use in many jurisdictions with differing public policies and that such public policies change. Accordingly, the Receiving Party agrees that the prevailing non-competition restrictions set forth above may be modified by a Court to the extent necessary to make the non-competition agreements valid and enforceable against the Receiving Party.

(e) Damages. The Receiving Party agrees that any and all knowledge or information that may be obtained in the course of business with respect to the conduct and details of the donut operation known as Peace, Love and Little Donuts that are currently envisioned or may be envisioned will be forever held inviolate and be concealed from any competitor and all other persons and that the worker will not engage as employer, employee, principal, agent, or otherwise, directly or indirectly, at any time in a similar business, and that he or she will not impart the knowledge acquired to anybody. If Potential Business Interested Party does so in violation, Peace, Love and Little Donuts shall be entitled to an injunction and potential damages by any competent court of equity enjoining and restraining the trustee and each and every other person concerned from continuance of employment, services or other acts in aid of the business of the rival company or concern. Nothing shall permit the worker upon the termination of the business relationship with Peace, Love and Little Donuts from engaging in any occupation in which the ideas, and other secrets, methods, ideas, marketing plans, recipes or business data of Peace, Love and Little Donuts will be directly or indirectly involved.

## **5. RETURN OF PROPERTY.**

If the Disclosing Party requests, the Receiving Party shall, and shall cause each Receiving Party Representative to promptly (and no later than 5 days after the request):

- (a) return all Confidential Information to the Disclosing Party; and
- (b) destroy all Derivative Material and within 5 days of this destruction, provide a written certificate to the Disclosing Party confirming this destruction.

## **6. NO PUBLICITY.**

The parties shall keep the existence of this agreement, and the transactions or discussions contemplated by this agreement, strictly confidential, except as required by law and except as the parties otherwise may agree in writing before a disclosure.

## **7. OWNERSHIP RIGHTS.**

The Receiving Party acknowledges that the Confidential Information is, and at all times will be, the Disclosing Party's sole property, even if suggestions made by the Receiving Party are incorporated into the Confidential Information. The Receiving Party obtains no rights by license or otherwise in the Confidential Information under this agreement. Neither party shall solicit any change in the other party's organization, business practice, service, or products, and the disclosure of Confidential Information may not be construed as evidencing any intent by a party to purchase any products or

services of the other party or as an encouragement to expend funds in development or research efforts. The Confidential Information may pertain to prospective or unannounced products. The Receiving Party may not use the Confidential Information as a basis on which to develop or have a third party develop a competing or similar plan or undertaking.

## **8. FUTURE PRODUCTS - RESIDUALS.**

The confidentiality terms of this agreement do not limit the Receiving Party's right to develop or acquire products independently without use of the Confidential Information. Further, the Receiving Party may use for any purpose the residuals resulting from access to or work with the Confidential Information. However, the Receiving Party may not disclose the Confidential Information except as expressly permitted under this agreement. The term "residuals" means information in intangible form that is retained in memory by people who have had access to the Confidential Information, including ideas, concepts, know-how, or techniques contained in that Confidential Information. The Receiving Party is not required to limit or restrict the assignment of such persons or to pay royalties for any work resulting from the use of residuals. This section does not give the Receiving Party a license under the Disclosing Party's copyrights or patents.

## **9. NO OBLIGATION.**

Nothing in this agreement obligates either party to proceed with any transaction between them, and each party reserves the right, in its sole discretion, to terminate the discussions contemplated by this agreement concerning the business opportunity, if any, and to cease further disclosures, communications, or other activities under this agreement on written notice to the other party. Any commitment to proceed with a transaction will be set forth in a separate agreement signed by the parties.

## **10. NO WARRANTY.**

ALL CONFIDENTIAL INFORMATION IS PROVIDED "AS IS." THE DISCLOSING PARTY MAKES NO WARRANTIES, EXPRESS, IMPLIED, OR OTHERWISE, REGARDING THE ACCURACY, COMPLETENESS, OR PERFORMANCE OF ANY SUCH INFORMATION.

## **11. GOVERNING LAW; ATTORNEYS' FEES; EQUITABLE RELIEF.**

- (a) Choice of Law.** The laws of the state of Pennsylvania govern this agreement (without giving effect to its conflicts of law principles).
- (b) Choice of Forum.** Both parties' consent to the personal jurisdiction of the state or federal courts in Allegheny County, Pennsylvania.
- (c) Attorneys' Fees.** If either party employs attorneys to enforce any rights arising out of or relating to this agreement, the losing party shall reimburse the prevailing party for its reasonable attorneys' fees and costs.
- (d) Equitable Relief.** The Receiving Party's breach of this agreement will cause irreparable harm to the Disclosing Party and monetary damages may not be a sufficient remedy for an unauthorized disclosure of the Confidential Information. If the Receiving Party discloses the Confidential Information in violation of this agreement, the Disclosing Party may, without waiving any other

rights or remedies and without posting a bond or other security, seek an injunction, specific performance, or other equitable remedy to prevent competition or further disclosure, and may pursue other legal remedies.

## **12. AMENDMENTS.**

No amendment to this agreement will be effective unless it is in writing and signed by a party or its authorized representative.

## **13. ASSIGNMENT AND DELEGATION.**

- (a) No Assignment.** Neither party may assign any of its rights under this agreement, except with the prior written consent of the other party, which consent may not be unreasonably withheld. All voluntary assignments of rights are limited by this subsection.
- (b) No Delegation.** Neither party may delegate any performance under this agreement, except with the prior written consent of the other party, which consent may not be unreasonably withheld.
- (c) Enforceability of an Assignment or Delegation.** If a purported assignment or purported delegation is made in violation of this section 12, it is void.

## **14. COUNTERPARTS; ELECTRONIC SIGNATURES.**

- (a) Counterparts.** The parties may execute this agreement in any number of counterparts, each of which is an original but all of which constitute one and the same instrument.
- (b) Electronic Signatures.** This agreement, agreements ancillary to this agreement, and related documents entered into in connection with this agreement are signed when a party's signature is delivered by facsimile, email, or other electronic medium. These signatures must be treated in all respects as having the same force and effect as original signatures.

## **15. SEVERABILITY.**

If any provision in this agreement is, for any reason, held to be invalid, illegal, or unenforceable in any respect, that invalidity, illegality, or unenforceability will not affect any other provisions of this agreement, but this agreement will be construed as if the invalid, illegal, or unenforceable provisions had never been contained in this agreement, unless the deletion of those provisions would result in such a material change that would cause completion of the transactions contemplated by this agreement to be unreasonable.

## **16. NOTICES.**

**(a) Writing; Permitted Delivery Methods.** Each party giving or making any notice, request, demand, or other communication required or permitted by this agreement shall give that notice in writing and use one of the following types of delivery, each of which is a writing for purposes of this agreement: personal delivery, mail (registered or certified mail, postage prepaid, return-receipt requested), nationally recognized overnight courier (fees prepaid), facsimile, or email.

**Addresses.** A party shall address notices under this section 15 to a party at the following addresses:

If to the Disclosing Party:  
Ronald V Razete/ Peace, Love and Little Donuts, LLC.  
104 Marshall Drive  
Moon Township, PA 15108  
412-779-7359  
ronrazete@mac.com

If to the receiving party

Contact Name/Position

Mailing Address

Cell

Fax

Email Address

**(b) Effectiveness.** A notice is effective only if the party giving notice complies with subsections (a) and (b) and if the recipient receives the notice.

## **17. WAIVER.**

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this agreement will be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy will be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, and no waiver will constitute a continuing waiver, unless the writing so specifies.

## **18. ENTIRE AGREEMENT.**

This agreement constitutes the final agreement of the parties. It is the complete and exclusive expression of the parties' agreement with respect to the subject matter of this agreement. All prior and contemporaneous communications, negotiations, and agreements between the parties relating to the subject matter of this agreement are expressly merged into and superseded by this agreement. The provisions of this agreement may not be explained, supplemented, or qualified by evidence of trade usage or a prior course of dealings. Neither party was induced to enter this agreement by, and neither party is relying on, any statement, representation, warranty, or agreement of the other party except those set forth expressly in this agreement. Except as set forth expressly in this agreement, there are no conditions precedent to this agreement's effectiveness.

## **19. HEADINGS.**

The descriptive headings of the sections and subsections of this agreement are for convenience only, and do not affect this agreement's construction or interpretation.

## **20. EFFECTIVENESS.**

This agreement will become effective when all parties have signed it. The date this agreement is signed by the last party to sign it (as indicated by the date associated with that party (signature) will be deemed the date of this agreement.

## **21. NECESSARY ACTS; FURTHER ASSURANCES.**

Each party and its officers and directors shall use all reasonable efforts to take, or cause to be taken, all actions necessary or desirable to consummate and make effective the transactions this agreement contemplates or to evidence or carry out the intent and purposes of this agreement.

Each party is signing this agreement on the date stated opposite that party's signature. Peace,

Love and Little Donuts, LLC,

Date:

By: \_\_\_\_\_  
Name: Ronald V. Razete  
President

RECEIVING PARTY NAME, if party is not an individual

Date:

By: Name: Name of Person Signing  
Title: Title of Person Signing in entity

# **EXHIBIT B-2**

## **APPLICATION**



Date: \_\_\_\_\_20\_\_

**APPLICATION FOR A PEACE, LOVE AND LITTLE DONUTS FRANCHISE (US)**

I/We \_\_\_\_\_

of \_\_\_\_\_  
hereby submit an application to **Peace, Love and Little Donuts, LLC, 104 Marshall Drive** for a **Peace, Love and Little Donuts** Franchise:

Our **Peace, Love and Little Donuts** Franchise is to be located in:

\_\_\_\_\_, in the state of \_\_\_\_\_ (the "State"). This application once submitted is subject to the following terms and conditions:

1. Initial Franchise Fee for this franchise is **\$40,000.00** payable in cash/check as follows:
  - a. Ten **Thousand Dollars (\$10,000)** deposit (non-refundable, except as set forth in Paragraph 2 below) Payable to Peace, Love and Little Donuts upon submitting this Application.
  - b. Thirty **Thousand Dollars (\$30,000.00)** is due and payable to **Peace, Love and Little Donuts** at such time, I/we will execute the **Peace, Love and Little Donuts** Franchise Agreement and appropriate Exhibits.
2. If my/our Application is disapproved by **Peace, Love and Little Donuts**, the \$10,000 deposit will be immediately refunded.
3. I/we acknowledge that I/we have, at least fourteen calendar days, prior to the signing of this Application Agreement, received **Peace, Love and Little Donuts'** current form of Franchise Disclosure Document applicable to the State. I/we understand that a completed form of the Franchise Agreement will be provided at least five business days prior to signing the Franchise Agreement, and that all other terms are to be in accordance with it.
4. I/we have submitted a completed Confidential Qualification Report on **Peace, Love and Little Donuts'** form and I/we hereby authorize **Peace, Love and Little Donuts** to conduct an investigation of my/our background(s) to verify the information submitted.
5. I/we acknowledge and understand that submission of this application does not bind or obligate **Peace, Love and Little Donuts, Inc.** to issue a **Peace, Love and Little Donuts** Franchise to me/us.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Applicant (Print Name)

\_\_\_\_\_  
Applicant (Print Name)

**EXHIBIT C**

**LIST OF FRANCHISEES**

## LIST OF FRANCHISEES

As of December 31, 2021

Colorado	Bobby Wagner	632 S College Ave	Fort Collins	80524	970-286-2837
Colorado	Bobby Wagner	3525 Mountain Lion Dr	Loveland	80537	970-292-8800
Kentucky	Ryan and Michelle Yauger	8640 Haines Drive, Suite C	Florence	41042	
Louisiana	Toni & Rory Williams	70493 Highway 21, Suite 100	Covington	70433	985-400-9780
Michigan	Aaron Johnson	6043 Westnedge Ave	Portage	49002	269-459-9938
Michigan	John and Kristina Schnepf	441 E. Front ST.	Traverse City	49686	231-421-5255
New York	Brad Terwilliger	6733 Transit Rd,	Buffalo	14221	412-904-4649
Ohio	Dave Miller	115-117 S Prospect Ave	Hartville	44632	330-877-3043
Ohio	Don Collier	3786 Rocky River Dr	Cleveland	44111	216-862-9806
Ohio	Don Collier	37300 Detroit Rd	Avon	44011	440-695-8761
Ohio	Don Collier	13500 Pearl Rd	Strongsville	44136	440-783-1551
Ohio	Don Collier	8023 Crile Rd	Concord	44077	440 296-9669
Ohio	Jim Welte	656 High St,	Worthington	43085	614-396-6503
Ohio	Jim Welte	2110 Henderson Rd	Columbus	43220	614-725-4100
Ohio	Kirstin Poling	3700 Massillon Rd	Uniontown	44685	330-563-4439
Ohio	Courtney McCallum	51 S. Main St.	Hudson	44236	330-653-9568
Ohio	Susan & Kyle Robinson	3440 Edwards Rd	Cincinnati	45208	513-407-8039

Pennsylvania	Scott Slepecki Amy Benedetti	5994 Steubenville Pike	Robinson Township	15136	412-331-7553
Pennsylvania	Janelle Hancher	1047 Waterdam Plaza Dr	Peters Township	15317	724-299-3585
South Carolina	Clayton Mathews	3020 Nevers St.	Myrtle Beach	29577	843-232-7598
Tennessee	Cheston Williams	Hill Center, 213 Franklin Rd, Suite 120	Brentwood	37027	615-964-7995
Texas	Rod Moruss	601 Southlake Blvd	Southlake	76092	817-329-3082
West Virginia	Denver Byron	1078 Suncrest Towne Centre Drive	Morgantown	26505	304-212-5765
West Virginia	Ryan Blake	1106 Fledderjohn Rd	Charleston	25314	304-304-3043

Franchisees who had a franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business as of December 31, 2021.

Chris & Michelle Hall	800 3rd Ave	Huntington, WVA 25701	681-204-5669
Dave Miller	1310 S Main St,	North Canton, OH 44720	330-268-9465
Sean & Kelly Dougherty	266 96th St	Stone Harbor NJ 08247	609-830-5044
Dave Miller	1239 Edison St.	Hartville Market 44632	330-587-4029

# **EXHIBIT D**

## **FINANCIAL STATEMENTS**

***PEACE, LOVE AND LITTLE DONUTS,  
LLC***

**Financial Statements**

**With Independent Auditor's Report Thereon**

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019



PEACE, LOVE AND LITTLE DONUTS, LLC



**MILLER**  
CPA, PLLC

Independent Auditor's Report

To the member of Peace, Love and Little Donuts, LLC

**Report on the Audit of the Financial**

**StatementsOpinion**

We have audited the financial statements of Peace, Love and Little Donuts, LLC, which comprise the balance sheets as of December 31, 2021, 2020 and 2019, and the related statements of operations and 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 Peace, Love and Little Donuts, LLC as of December 31, 2021, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peace, Love and Little Donuts, 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 Peace, Love and Little Donuts, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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

## **PEACE, LOVE AND LITTLE DONUTS, LLC**

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 audits.
- 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 audits 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 Peace, Love and Little Donuts, 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 '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 audits, significant audit findings, and certain internal control-related matters that we identified during the audit.

Miller CPA, PLLC  
Murfreesboro,  
Tennessee

April 5, 2022

## **BALANCE SHEETS**

### **FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**



# PEACE, LOVE AND LITTLE DONUTS, LLC

## ASSETS

	2021	2020	2019
CURRENT ASSETS			
Cash and equivalents	\$ 9,350	\$ 23,037	\$ 3,935
Accounts receivable	73,892	17,948	51,186
Total current assets	83,242	40,985	55,121
PROPERTY AND EQUIPMENT, NET		18,783	41,080
DUE FROM RELATED ENTITY	7,964		

TOTAL ASSETS

## LIABILITIES AND MEMBER'S EQUITY

### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	\$ 5,100	\$ 3,712
Deposits	70,000		106,501
Current portion of contract liabilities	2,845	3,012	2,800
Total current liabilities	72,845	8,112	113,013

### LONG TERM LIABILITIES

Contract liabilities, less current portion	43,313	45,820	44,468
Due to member	1,936	8,709	6,089
Due to related entity	42,109	15,000	15,000
Total long-term liabilities	87,358	69,529	65,557

### TOTAL LIABILITIES

160,203	77,641	178,570
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### MEMBER'S DEFICIT

{68,997}	{17,873}	{82,369}
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### TOTAL LIABILITIES AND MEMBER'S DEFICIT

\$ 91,206	\$ 59,768	\$ 96,201
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**PEACE, LOVE AND LITTLE DONUTS, LLC**

**STATEMENTS OF OPERATIONS AND MEMBER'S  
EQUITY FOR THE YEARS ENDED DECEMBER 31,  
2021, 2020 AND 2019**

	2021	2020	2019
REVENUE			
Franchise	\$ 44,932	\$ 117,008	\$ 135,637
Royalties	338,920	289,574	340,462
Total revenue	383,852	406,582	476,099
OPERATING EXPENSES	354,122	294,229	490,540
OPERATING INCOME (LOSS)	29,730	112,353	(14,441)
OTHER INCOME (EXPENSES)			
Gain on sale of vehicle	55,079		
Interest expense	(1,830)		
Forgiveness of Payroll Protection Program note payable	23,936	26,700	
Total other income (expenses)	77,185	26,700	
NET INCOME (LOSS)	106,915	139,053	(14,441)
Member distributions	(158,039)	(74,557)	(186,247)
Member's equity (deficit) - beginning of year	(17,873)	(82,369)	118,319
Member's deficit - end of year	<u>\$ (68,997)</u>	<u>\$ (17,873)</u>	\$ (82,369)

**PEACE, LOVE AND LITTLE DONUTS, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND**  
**2019**

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 106,915	\$ 139,053	\$ (14,441)
Adjustments to. reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	13,862	22,297	22,880
Gain on sale of vehicle	(55,079)		
Forgiveness of Payroll Protection Program note payable		(26,700)	
Decrease (increase) in operating assets:			
Receivables	(55,944)	33,238	468
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	(5,100)	1,388	734
Contract liabilities	(2,674)	1,564	4,362
Deposits	70,000	(106,501)	61,501
Net cash provided by operating activities	71,980	64,339	75,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of vehicle	60,000		
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (increase) in due from (to) member	(6,773)	2,620	90,202
Proceeds from Payroll Protection Program note payable		26,700	
Increase in due to related entity	19,145		15,000
Member distributions	(158,039)	(74,557)	(186,247)
Net cash used in financing activities	{145,667}	{45,237}	{81,045}
Net increase (decrease) in cash and equivalents	(13,687)	19,102	<del>(5,541)</del>
Cash and equivalents at beginning of year	23,037	3,935	9,476
Cash and equivalents at end of year	<u>\$ 9,350</u>	<u>\$ 23,037</u>	\$ 3,935

See accompanying notes to financial statements and independent auditor's report.

## **NOTE A-NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Nature of Business

Peace, Love and Little Donuts, LLC (the "Company") is a single member LLC with its principal office in Moon Township, Pennsylvania. The Company was founded in 2011 to engage in selling license and franchise agreements of 'Peace, Love and Little Donuts'. Peace, Love and Little Donuts is a donut shop baking fresh donuts all day with unique flavors and toppings.

### Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

### Accrual Basis

The financial statements of the Company have been prepared on the accrual basis of accounting.

### Cash and Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid, unrestricted investments with an initial maturity of three months or less to be cash or equivalents.

### Accounts Receivable

Accounts receivable consist of royalty fees which are stated at the amount management expects to collect. Royalty fees are required to be paid on a monthly basis. The Company does not charge interest or a finance charge on past due receivable balances. Any payment not received during the month is considered past due. Generally, the Company does not require collateral or other security to support accounts receivable. The Company estimates an allowance for doubtful accounts based on factors surrounding the credit risk of specific licensees or franchisees, historical trends and other information. As of December 31, 2021, 2020 and 2019 management estimated the allowance for doubtful accounts to be \$-0-.

### Property and Equipment, Net

Property and equipment are reported at cost and include improvements that significantly add to utility or extend the useful life. Cost of maintenance and repairs are charged to expense when incurred. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period of disposal. Depreciation on vehicles and equipment is calculated principally using the straight-line method over a useful life of five years.

For income tax purposes the Company uses an accelerated method of depreciation.

### Revenue Recognition

The Company recognizes revenue based on FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), from ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605 *Franchisors - Revenue Recognition* (together, the "Previous Statements").

Franchise revenue consist primarily of franchisee fees earned through the franchise agreements entered into by the Company, advertising fund contributions and other management fees charged to franchisees. Under franchise agreements, the Company provides certain specific performance obligations: 1) location opening assistance 2) education and training, 3) on-going support, 4) a franchise license which includes a license to use the franchise name, "Peace , Love and Little Donuts" and other proprietary tools throughout the franchise agreement.

## NOTE A-NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

### Revenue Recognition (continued)

These services are highly interrelated and dependent upon the franchise license. Management of the Company has allocated the franchise revenue earned to the specific performance obligations. Management has estimated an allocation of the revenue based on the timing of the specific performance obligations to be provided over the life of the contract. The revenue for each specific performance obligation is allocated to each year of the contract based on services and value provided to the franchisee under the franchise contract. Each franchise contract matures 20 years from the initial start-date.

Payments received from open franchise units in excess of revenue recognition under ASC 606 are recorded as contract liabilities on the balance sheets until the revenue is recognized. Revenue earned in excess of payments received under ASC 606 is recorded as contract assets on the balance sheets until the payments are received. As of December 31, 2021, 2020 and 2019 contract liabilities totaled \$46,158, \$48,832 and \$47,268, respectively.

Royalties are calculated based on total sales over the term of the franchise agreement. The royalty fees are collected the following month.

### Income Tax

The Company is a single member limited liability company (L.L.C.). In lieu of federal corporate taxes, the member is taxed for the Company's taxable income. Since income and expenses are reported on the member's income tax returns, a provision for federal income and state taxes has not been included in the financial statements.

The Company evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2021, 2020 and 2019, the management of the Company does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Company's policy to recognize any interest and penalties in the provision for income taxes.

Federal and certain state tax returns for the Company are subject to examination by the state, generally for five years after they are filed.

### Advertising Costs

The Company expenses all advertising costs as they are incurred and during the years ended December 31, 2021, 2020 and 2019 totaled \$52,659, \$51,189 and \$31,305, respectively.

## NOTE B - PROPERTY AND EQUIPMENT, NET

As of December 31, 2021, 2020 and 2019 property and equipment, net consist of the following :

	2021	2020	2019
		0	
Vehicle	\$	\$ 110,900	\$ 110,900
Equipment	3,800	3,800	3,800
	3,800	114,700	114,700
Less: Accumulated depreciation	(3,800)	(95,917)	(73,620)
Property and equipment, net	\$	\$ 18,783	\$ 41,080

## NOTE B - PROPERTY AND EQUIPMENT, NET (CONTINUED)

For the years ended December 31, 2021, 2020 and 2019 depreciation expense totaled \$13,862, \$22,297 and \$22,880, respectively.

## NOTE C - REVENUE

Revenue for the years ended December 31, 2021, 2020 and 2019 consisted of \$44,932, \$117,008 and \$135,637 respectively, in franchise fees.

The franchise and license outlets in operation for Peace, Love and Little Donuts, LLC in operation, franchise and license units sold or closed during the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Franchise outlets in operation	30	34	31
Franchise units sold	1	4	8
Franchise Units Closed	5	1	2

Royalties total 5% of monthly gross revenues from all franchisee owners. Royalties included in revenue for the years ended December 31, 2021, 2020 and 2019 totaled \$338,920, \$289,574 and \$340,462, respectively.

## NOTED - PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS

During the year ended December 31, 2020, the world entered a pandemic due to COVID-19. To assist entities through economic downturn due to the pandemic, the United States government offered the Payroll Protection Program. Through this program, the government provided funds equal to two and a half months payroll originally as a note payable. These funds were to be used for payroll and the related cost, utilities and rent payments. If these funds are used for these purposes, the note payable would be forgiven.

During the years ended December 31, 2021 and 2020 the Company received funds totaling \$23,936 and \$26,700, respectively, through the program and spent the funds for the designated purposes. Under ASC 105, Generally Accepted Accounting Principles, the Company elected to apply other guidance as noted in AICPA TQA 3200.18 the payroll protection program note payable is accounted for as a government grant ("forgiveness of the payroll protection program note payable") in substance using IAS (International Accounting Standards) 20. In accordance with

IAS 20 the forgiveness has been reported on the statement of operations for the years ended December 31, 2021 and 2020 as other income. The note payable has been formally forgiven.

## NOTE E - CONCENTRATION OF RISK

The Company depends on the monthly royalty payments from licensees and franchisees. Should economic or social events transpire to bring hardship to the industry and local economies royalty payments received will reduce and the Company may find it difficult to continue operations.

The Company grants credit to its licensees and franchisees. Management believes that the contract acceptance and collection policies are adequate to minimize potential credit risk.

The Company may at times be subject to credit risk to its cash and equivalent account, which are placed in a high credit-quality financial institution.

#### **NOTE E - CONCENTRATION OF RISK (CONTINUED)**

The Federal Deposit Insurance Corporation ("FDIC") offers coverage up to \$250,000 for substantially all depository accounts. As of December 31, 2021, 2020 and 2019 the Company did not have deposits in excess of the FDIC limits.

#### **NOTE F - CASH FLOW INFORMATION**

The Company had cash disbursements for interest totaled \$1,830, \$-0- and \$-0-, respectively. The Company did not have any cash disbursements income taxes during the years ended December 31, 2021, 2020 and 2019.

#### **NOTE G - LEASE OBLIGATION**

During the years ended December 31, 2021, 2020 and 2019 the Company leased certain office space under a month-to-month lease agreement requiring a monthly lease charge of \$850. The Company also enters into short-term leases for equipment as considered necessary. For the years ended December 31, 2021, 2020 and 2019 lease expense totaled \$11,900, \$10,905 and \$14,168, respectively.

#### **NOTE H - SUBSEQUENT EVENT REVIEW**

Subsequent events have been evaluated through April 5, 2022, which is the date the financial statements were available to be issued. There have been no adjustments to the financial statements to include any subsequent transactions or events.



**EXHIBIT E**

**TABLE OF CONTENTS OF OPERATIONS MANUAL**

**Chapter 1 – Introduction**

**Chapter 2 – Welcome to PLLD**

**Chapter 3 – Support Resources**

**Chapter 4 – Pre-Opening Timetable**

**Chapter 5 – Training**

**Chapter 6 – Staffing & Personnel**

**Chapter 7 – Menu Offerings**

**Chapter 8 – Safe Food Handling**

**Chapter 9 – Equipment & Supplies**

**Chapter 10 – Administration**

**Chapter 11 – Reports, Records & Checklists**

**Chapter 12 – Purchasing**

**Chapter 13 – Marketing & Advertising**

**Chapter 14 – Safety & Security**

**Chapter 15 – Business Setup**

**EXHIBIT F**  
**CONDITIONAL ASSIGNMENT OF LEASE**

### Conditional Assignment Agreement of Lease

This Rider is attached to and is part of that certain Lease, by and between: \_\_\_\_\_  
\_\_\_\_\_(Lessor) and \_\_\_\_\_ (Lessee) dated \_\_\_\_\_ for the premises  
located at: \_\_\_\_\_, legally described in Annex  
A hereto.

**A. CONDITIONAL ASSIGNMENT:** Lessee hereby conditionally assigns all of the Lessee's right, title and interest in this lease to **Peace, Love and Little Donuts, LLC** (hereinafter, "Franchisor"). This assignment shall become effective only upon occurrence of both of the following conditions:

1. Termination of the **Peace, Love and Little Donuts** Franchise Agreement between Franchisor and Lessee as Franchisee for the operation of a **Peace, Love and Little Donuts** franchise within the leased premises, and

2. Exercise by Franchisor of its option to assume the obligations of and to replace Lessee as the lessee under this lease as provided in the said Franchise Agreement within fifteen (15) days after termination of said Franchise Agreement.

**B. Lessor** hereby consents to the said conditional assignment and hereby agrees that if said conditional assignment becomes effective, Franchisor shall thereafter be substituted for Lessee as the Lessee in this lease, Lessee shall be relieved of all liability accruing under this lease after the effective date of the assignment and Franchisor shall have the right to reassign this lease to a new Franchisee of Franchisor without the prior consent of Lessor. In the event of such reassignment, Franchisor shall be relieved of all liability accruing under this lease after the date of said reassignment.

**C. Lessee** agrees that at such time as Franchisor exercises its option to become the Lessee under this lease, Lessee will immediately vacate the demised premises without removing any fixtures, parts, or accessories except as authorized in the Franchise Agreement and Lessor will permit Franchisor to enter upon and take possession of the demised premises. Lessor will cooperate in all legal action necessary to remove lessee if lessee refuses to vacate premises.

**D. Lessor** is hereby authorized and directed to rely solely upon written notice by Franchisor of the termination of the said **Peace, Love and Little Donuts** Franchise Agreement and exercise by Franchisor of its option to become the Lessee under this lease and is hereby relieved of any and all liability to Lessee for any action it takes in so relying.

**E. DEFAULT BY LESSEE:** Lessor agrees to give Franchisor thirty (30) days prior written notice of its intention to reenter and repossess the premises and to cancel the lease because of Lessee's default of any of the terms, conditions or provisions thereof. During the thirty (30) day period Franchisor may cure such default or otherwise exercise its rights under the conditional assignment.

**F. OPTION TO RENEW:** If Lessee fails to exercise any option which he might have under the lease to renew same prior to the expiration thereof, Lessor agrees to notify Franchisor in writing of lessee's failure to renew the lease and Franchisor shall then have fifteen (15) days from the receipt of such notice to exercise any option to renew and replace Lessee as the lessee under the lease.

**Peace, Love and Little Donuts, LLC.**  
(Franchisor/Assignee)

**FRANCHISEE**

By \_\_\_\_\_  
**Ronald V. Razete**, President & CEO  
104 Marshall Drive  
Moon Township, PA, 15108 412-779-7359

\_\_\_\_\_  
Franchisee  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_

LESSOR: \_\_\_\_\_  
By: \_\_\_\_\_  
Its \_\_\_\_\_

## ACKNOWLEDGMENTS

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_) ss

On this day personally appeared before me \_\_\_\_\_, to me known to be the individual(s) described in and who executed the within and foregoing instrument and acknowledged that \_\_\_\_\_ signed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

\* \* \*

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_) ss

On this day personally appeared before me \_\_\_\_\_, to me known to be the individual(s) described in and who executed the within and foregoing instrument and acknowledged that \_\_\_\_\_ signed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

\* \* \*

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_) ss.

On this day personally appeared before me \_\_\_\_\_, to me known to be the \_\_\_\_\_ [Title], of \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of Organization], the Entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and on oath stated that \_\_\_he\_\_\_ is/are authorized to execute the said instrument on behalf of said Entity.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

**EXHIBIT G**

**AGENTS FOR SERVICE OF PROCESS AND STATE  
ADMINISTRATORS**

## STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Business Oversight California Department of Business Oversight	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty St., 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222
New York (Agent)	Secretary of State of the State of New York	99 Washington Ave., Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	445 East Capitol Avenue Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	201 W. Washington Ave., Suite 300 Madison, WI 53703

# **EXHIBIT H**

## **STATE ADDENDA**



## General

These states have statutes which may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, Tit. 6, Chap. 25, Section 2551 *et seq.*], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1 – 523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.

Some states have statutes that limit our ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting our ability to restrict your activity after the franchise agreement has ended.

A provision in the franchise agreement that terminates the franchise upon your bankruptcy may not be enforceable under Title 11, United States Code.

## California Addendum

### (Applies only to California franchisees)

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

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER, BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Neither We nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling the persons from membership in that association or exchange.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER BY THE PERSON ACQUIRING A FRANCHISE OF CERTAIN RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF CERTAIN RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*)

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

You must resolve disputes through binding arbitration. The arbitration will occur at Wayne, New Jersey, USA, with the costs of arbitration being borne equally by the parties. Each party will bear its own expenses, including attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code

of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

If your Franchisee will be in California, you will not pay your Initial Fee to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the Initial Fee is that we must complete all of our material pre-opening obligations to you.

## **Hawaii Addendum**

### **(Applies only to Hawaii franchisees)**

If your Franchise will be in Hawaii, you will not pay your Initial Fee to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the Initial Fee is that we must complete all of our material pre-opening obligations to you.

## **Illinois Addendum**

### **(Applies only to Illinois franchisees)**

The receipt and the Franchise Agreement are both amended to provide that we must provide the Franchise Disclosure Document to you at least fourteen calendar days before you sign any binding contract or give us any money.

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You cannot waive any of your rights given to you by the Illinois Franchise Disclosure Act (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced, and the terms of the applicable Illinois law shall apply.

## **Indiana Addendum**

### **(Applies only to Indiana franchisees)**

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the party's agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

## **Maryland Addendum**

### **(Applies only to Maryland franchisees)**

The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise, we may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of

sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

If you are a resident of Maryland or your Franchise will be in Maryland, you will not pay your Initial Fee or any other money to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the Initial Fee is that we must complete all of our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Article 19 of the Franchise Agreement is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland. Item 17 is hereby amended by adding the identical language in the “summary” column of line v.

## **Minnesota Addendum**

### **(Applies only to Minnesota franchisees)**

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

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. §80C.214, Subds. 3, 4, and 5 which require, except in certain specified cases, that we give you 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the franchise agreement.

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name, to the extent required by Minn. Stat. §80C.12, Subd. 1(g).

To the extent governed by Minn. Rule 2860.4400J, you shall not be deemed to have waived any rights under Minnesota law. You shall not be deemed to have consented to us obtaining injunctive relief, although we may seek injunctive relief. A Court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief.

If your Franchise will be in Minnesota, you will not pay your Initial Fee to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the Initial Fee is that we must complete all of our material pre-opening obligations to you.

## **New York Addendum**

### **(Applies only to New York franchisees)**

1. The following information is added to the cover page of the Franchise Disclosure Document:

{./PLLD.FFD.0522;}

**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.

## **North Dakota Addendum**

### **(Applies only to North Dakota franchisees)**

Under North Dakota law, no modification or change we make to the Manual or method of operation may materially affect your status, rights or obligations under the Franchise Agreement.

Covenants not to compete are considered unenforceable in the State of North Dakota.

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that the laws of North Dakota, which laws will prevail, will govern the Franchise Agreement. Further, North Dakota law requires that all issues or disagreements relating to the Franchise Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Under the North Dakota Franchise Investment Law (Section 51-19-09), a North Dakota franchisee may not be required to execute a general release upon renewal of the Franchise Agreement.

## **Rhode Island Addendum**

### **(Applies only to Rhode Island franchisees)**

Item 17 is amended by adding the following: 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.

If your Franchise will be in Rhode Island, you will not pay your Initial Fee to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the Initial Fee is that we must complete all of our material pre-opening obligations to you.

## **South Dakota Addendum**

### **(Applies only to South Dakota franchisees)**

Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the state where the franchise is located.

Any provision of the franchise agreement which requires you to agree to jurisdiction and venue outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Notwithstanding any term of the franchise agreement, we do not terminate the franchise agreement upon default without first affording you thirty (30) days' notice with an opportunity to cure the default within that time.

To the extent required by South Dakota law, all provisions giving any party a right to liquidated damages are hereby deleted from the franchise agreement and the parties shall be entitled to their actual damages instead.

## **Virginia Addendum**

### **(Applies only to Virginia franchisees)**

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

## **Washington Addendum**

### **(Applies only to Washington franchisees)**

If any of the provisions in the Franchise Disclosure Document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and franchise agreement with regard to any franchise sold in Washington.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

Initial Fees of new Washington franchisees are held in an escrow account until the franchisee's business is open. The state law addendum, above, if applicable, is a part of the Franchise Agreement and supersedes any inconsistent term(s) of the Franchise Agreement

### *STATE EFFECTIVE DATES*

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<b>State</b>	<b>Effective Date</b>
California	
Illinois	
Indiana	November 20, 2022
Maryland	
Michigan	May 1, 2022
Minnesota	
New York	Pending
Virginia	
Washington	
Wisconsin	

# **EXHIBIT I**

## **RECEIPTS**



## RECEIPT

*(Two copies included, please keep one for your files)*

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 Peace, Love and Little Donuts, LLC ("PLLD") offers you a franchise, PLLD must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, PLLD or its affiliate in connection with the proposed franchise sale. Iowa, New York, Oklahoma and Rhode Island require that PLLD give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Washington require that PLLD 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 PLLD 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, D.C. 20580 and those state administrators listed on Exhibit G.

The franchisor is Peace, Love and Little Donuts, LLC, located at 104 Marshall Drive, Moon Township, Pa 15108. Its telephone number is (412) 779-7359.

Issuance Date: May 1, 2022

Peace love and Little Donuts franchise sellers are Ronald V. Razete and Jeff Bennett 104 Marshall Drive, Moon Township, Pa 15108. Its telephone number is (412) 779-7359. Any additional franchise sellers involved in offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement and listed below: \_\_\_\_\_

Peace Love and Little Donuts authorizes the respective state agencies identified on Exhibit G to receive service of process for Peace Love and Little Donuts in the particular state.

I have received a disclosure document with an issuance date of, that included the following Exhibits:

A	Franchise Agreement	B-1	Confidentiality agreement
B-2	Application	C.	List of Franchisees
D	Financial Statements	E.	Manual Table of Contents
F	Conditional Assignment of Lease	G.	Agents /State Administrators
H	State Disclosure Addenda	I.	Receipts

\_\_\_\_\_  
Franchisee Signature

\_\_\_\_\_  
Franchisee Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date:

## RECEIPT

*(Two copies included, please keep one for your files)*

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If Peace, Love and Little Donuts, LLC ("PLLD") offers you a franchise, PLLD must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, PLLD or its affiliate in connection with the proposed franchise sale. Iowa, New York, Oklahoma and Rhode Island require that PLLD give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Washington require that PLLD 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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\_\_\_\_\_  
\_\_\_\_\_.

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F	Conditional Assignment of Lease	G.	Agents /State Administrators
H.	State Disclosure Addenda	I.	Receipts

\_\_\_\_\_  
Franchisee Signature

\_\_\_\_\_  
Franchisee Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date: