



FRANCHISE DISCLOSURE DOCUMENT

YUM YUM DONUT SHOPS, INC., a California Corporation
17355 Railroad St.
City of Industry, California 91748
(626) 964-1478
www.winchells.com

The Franchisee will operate a store selling donuts, pastries, coffee and other beverages, and sandwiches (if permitted by the terms of the master lease).

The total investment necessary to begin operation of a Winchell's Donut franchise ranges from between \$3,400 to \$71,700. There is no initial franchise fee required for a franchise. The Franchisee is not acquiring any ownership interest in the capital assets of the business which can be sold or transferred to a third party. Rather, under the non-equity franchise model offered by Yum Yum, the Franchisee has no capital investment and bears limited initial costs, as many of the upfront costs generally associated with starting a business are borne and have already been absorbed by Yum Yum.

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

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

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

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

Issuance Date: April 11, 2024

How to Use This Franchise Disclosure Document

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

<u>QUESTION</u>	<u>WHERE TO FIND INFORMATION</u>
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit 9.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 list the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 2 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Winchell's Donuts business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Yum Yum Donuts franchisee?	Item 20 or Exhibit 9 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 10.

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 Risk(s) 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 on in California. 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 California than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

TABLE OF CONTENTS

<u>Item No.</u>	<u>Page</u>
1. THE FRANCHISOR AND ANY PARENTS PREDECESSORS AND AFFILIATES.....	4
2. BUSINESS EXPERIENCE.....	5
3. LITIGATION.....	7
4. BANKRUPTCY.....	7
5. INITIAL FEES.....	7
6. OTHER FEES.....	7
7. ESTIMATED INITIAL INVESTMENT.....	10
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	11
9. FRANCHISEE'S OBLIGATIONS.....	12
10. FINANCING.....	15
11. FRANCHISOR'S ASSISTANCE, ADVERTISING COMPUTER SYSTEMS, AND TRAINING.....	16
12. TERRITORY.....	20
13. TRADEMARKS.....	22
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	24
15. OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	24
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	24
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	25
18. PUBLIC FIGURES.....	27
19. FINANCIAL PERFORMANCE REPRESENTATIONS.....	27

20.	OUTLETS AND FRANCHISEE INFORMATION.....	27
21.	FINANCIAL STATEMENTS	33
22.	CONTRACTS	34
23.	RECEIPTS	34

EXHIBITS

1. Franchise Locations
2. Financial Statements
3. Franchise Agreement
4. Equipment and Leasehold Improvement Lease Agreement
5. Sublease
6. Promissory Note #1 (Security Deposit)
7. Promissory Note #2 (Supply Inventory, Small Equipment & 1st Week's Charges)
8. Intentionally Omitted
9. Company Owned Outlets: Past Franchisee Information
10. List of State Agencies/Agents for Service of Process
11. Regulations Applicable to a Yum Yum/Winchell's Outlet
12. Confidentiality Agreement
13. CA State Addendum
14. Baking and Recipe Manuals – Table of Contents
15. State Effective Page
16. Receipt

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

The name of the Franchisor is Yum Yum Donut Shops, Inc. To simplify the language in this Disclosure Document, Yum Yum Donut Shops, Inc. is referred to as "Yum Yum" or "we" or "us" or "our." "You" means the person who buys the franchise from us. Yum Yum is a California Corporation. Its date of incorporation is November 30, 1990. Yum Yum and its predecessor of the same name have operated donut stores under the name "Yum Yum Donuts" since 1971. Its principal business address is 17355 Railroad St., City of Industry, California 91748. Yum Yum's agent for service of process is Lincoln Watase, 17355 Railroad St., City of Industry, California 91748.

Yum Yum has some affiliates (that is, companies that are under common control with us). Winchell's Franchising, LLC ("WFL"), a California limited liability company, is an affiliate of Yum Yum. WFL's date of formation is October 20, 2004, and its principal business address is 17355 Railroad St., City of Industry, California 91748. WFL has franchised donut shops under the name "Winchell's", "Winchell's Donuts" or "Winchell's Donut House" since October 20, 2004. WFL currently franchises 31 donut shops under the Winchell's name. WFL may offer new franchises for Winchell's donut shops under a separate disclosure document. These Winchell's donut shops will feature a similar menu and dining concept as the Winchell's franchises offered by Yum Yum. WFL does not offer franchises in any other line of business.

Quality Naturally Foods, Inc. ("QNF"), a California corporation, is also an affiliate of Yum Yum. QNF's date of incorporation is April 15, 1971, and its principal business address is 18830 San Jose Avenue, City of Industry, California 91748. QNF will supply products to you in operating your franchise.

There are currently operates 159 Yum Yum donut shops, 105 are franchised and 54 are company-owned. Of Yum Yum's current stores, 72 were acquired on October 20, 2004, by a purchase of these stores from Yum Yum's predecessor Winchell's Donut House Operating Company, L.P. and have been operating under the Yum Yum and Winchell's name. Winchell's Donut House Operating Company, L.P. has changed its name to Winreal Operating Company L.P. and its principal business address is 5757 W. Century Blvd., Suite 700-03, Los Angeles, CA 90045.

Yum Yum may also offer new franchises under a separate disclosure document for donut shops to be operated under the "Yum Yum" name. These "Yum Yum" donut shops will feature a relatively similar menu and dining concept as "Winchell's" donut shops, including donuts, pastries, coffee and other beverages, and sandwiches. Many of our management personnel will have management responsibility for both franchise concepts.

Yum Yum does business under the names "Yum Yum", "Yum Yum Donuts", "Winchell's", "Winchell's Donuts" or "Winchell's Donut House" and opened its first retail store in 2018 under the name "Win Win". There are presently two "Win Win" retail store locations, with more in development. Yum Yum operates the new Win Win retail store using a mixed-use retail combination which may include a gas station, convenience store, deli, and donut shop providing "take-out restaurant" services and selling automotive fuel, deli sandwiches and other foods, coffee, other hot and cold beverages, candy and snack items, bakery goods, donuts, muffins and bagels, including other food and non-food items. Yum Yum may also use the Winchell's trademarks for its donut shop operation located within the Win Win retail stores.

Yum Yum is in the food service business primarily through the development, operation and franchise of donut stores. You must prepare donuts, muffins and pastries fresh in the donut store, and sell these items along with coffee, milk, juices, other beverages and certain other food and non-food items.

Yum Yum grants franchises to individual franchisees for the operation of donut stores. Under the non-equity franchise model offered by Yum Yum, the Franchisee has no capital investment and bears initial costs only for inventory, small equipment, security deposits, insurance, licenses or permits, and uniforms. Many of the other upfront costs generally associated with starting a business are borne and have already been absorbed by Yum Yum. By signing the Franchise Agreement, the Franchisee will agree to the no-equity franchise arrangement provided for in that document and as further described herein. Under the no-equity arrangement, franchisee is granted a license to use the trademarks and trade practices in connection with the operation of the donut shop. Capital assets, such as the building and related fixtures, leasehold improvements, equipment, signs and such other structures and portion of any drives, sidewalks and parking lots as may be included within Yum Yum's leased premises on which the Yum Yum donut shop is located, are subleased or leased to Franchisee, under separate month-to-month non-transferrable agreements, such as the Sublease and the Equipment and Leasehold Improvement Lease Agreement. Franchisee thus has no ownership of the capital assets under these agreements.

Yum Yum may operate donut stores directly (at its discretion) and may operate a store if a franchisee has terminated a franchise and Yum Yum has not refranchised that location, or for other business or financial reasons. Your competitors will be primarily other donut stores and convenience stores and food stores selling donuts. Some donut stores that may compete with you may be owned or franchised by us or our affiliates. This includes the Winchell's donut shops franchised by WFL and the "Yum Yum" donut shops franchised by Yum Yum. All donut stores are subject to food service regulations and inspection by County health departments.

Although our business is not "seasonal," business does fluctuate during the year depending on weather and other factors in specific locations. In some states, cities or towns, there are specific health and industrial regulations and licensing requirements, like health department regulations, that apply to this type of business. Exhibit 11 contains a summary of the regulations that may impact your store.

Yum Yum has operated company-owned donut shops since 1971. Yum Yum has offered franchises for its donut stores since 1992. Yum Yum has not offered franchises for any other lines of business. The franchises being offered are all located within the State of California.

ITEM 2. BUSINESS EXPERIENCE

President and Director:

Lincoln Watase

Lincoln Watase has been President and a Director of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

Vice-President - Operations

Tony Camolina

Mr. Camolina has been Vice President of Operations of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years. Tony Camolina and Manny Camolina are brothers.

Director of Operations

Manny Camolina

Mr. Camolina has been Director of Operations of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years. Manny Camolina and Tony Camolina are brothers.

District Representative

Jorge Arroyo

Mr. Arroyo has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

District Representative

Jesse Duran

Mr. Duran has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

District Representative

Jorge Herrera

Mr. Herrera has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

District Representative

Salvador Martinez

Mr. Martinez has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

District Representative

Jorge Aguirre

Mr. Aguirre has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 for the past five years.

District Representative

Katy Ortega

Ms. Ortega has been a District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., CA 91748 for the past five years.

District Representative

Mirna Aceituno

Ms. Aceituno was a Store Manager of Yum Yum Donut Shops, Inc., Store #9891, 9844 Sierra Ave., Ste E, Fontana, CA 92335 from November 2015 to February 2017, Store #9388, 1455 S. Atlantic Blvd., Los Angeles, CA 90022 from February 2017 to October 2017 and promoted to Assistant District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in October 2017. In September 2019, Ms. Aceituno was promoted to District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748.

Assistant District Representative

Gabriel Armas

Mr. Armas was a Franchise Owner of Winchell's Donuts #9571, 2905 S. 120th St., Omaha, NE 68144 from February 15, 2006 to April 1, 2020. He was promoted to Assistant District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in January 2021. He was promoted to District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in November 2023.

Assistant District Representative

Angel Velazco Juarez

Mr. Velazco Juarez was hired as an Assistant District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in August 2022. He was promoted to District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in December 2023.

Assistant District Representative

Lilian Henriquez

Ms. Henriquez was a Store Manager of Yum Yum Donut Shops, Inc., Store #9201, 928 W. Florence Ave., Los Angeles, CA 90044 from November 2014 to October 2018, Store #9892, 5321 S. Vermont Ave., Los Angeles, CA 90037 from October 2018 to June 2019 and promoted to Assistant District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in June 2019.

Assistant District Representative

Gabriela Zambrano

Ms. Zambrano was a Store Manager of Yum Yum Donut Shops, Inc., Store #54, 1834 Marengo St., Los Angeles, CA 90033 from October 2004 to August 2017, Store #9485, 3501 E. Slauson Ave., Maywood, CA 90270 from August 2017 to September 2018, Store #9388, 1455 S. Atlantic Blvd., Los Angeles, CA 90022 from September 2018 to October 2019 and promoted to Assistant District Representative of Yum Yum Donut Shops, Inc., 17355 Railroad St., City of Industry, CA 91748 in October 2019.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4. BANKRUPTCY

No bankruptcies are required to be disclosed in this franchise disclosure document.

ITEM 5. INITIAL FEES

There is no initial franchise fee.

ITEM 6.
OTHER FEES

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ₁	5% of gross sales	Weekly on Thursday for the prior week ending Wednesday	Gross sales includes all revenue from the franchise location. Gross sales does not include rebates or refunds to customer or sales taxes. Royalty fees are non-refundable.
Taxes ₁	Amount to be paid by Yum Yum	Estimated amount weekly in advance	The taxes include real property taxes and personal property taxes applicable to the franchise location. Taxes are non-refundable.
Advertising Fee	Up to \$20 per week	Weekly on Thursday for the prior week ending Wednesday	Yum Yum may require each store to contribute an amount not in excess of \$20 per week to a store promotional fund.
Interest ₁	10% per year ₁	Not applicable	Interest imposed if any amounts due Yum Yum are not paid when due. Interest is non-refundable.
Late Charges ₁	Up to \$100.00 per occurrence	Not applicable	Assessed if Yum Yum does not receive royalty statements when due. Late Charges are non-refundable.
Late Charges _{1,2}	3% of amount due plus \$15 for returned check or NSF funds transfer	Not applicable	Assessed if Yum Yum does not receive payments when due. Late Charges are non-refundable.
Penalties ₁	Up to \$500 per occurrence in lieu of termination of Franchise Agreement	Not applicable	Assessed for defaults of a nature which cannot be cured or repeated defaults, whether or not cured. Penalties are non-refundable.

Premises Rental ₁	\$0 to \$5,400 per week plus taxes, property insurance and common area maintenance	Weekly, in advance	Sublease premises rental is not uniform and may vary based upon the Master Lease, the location of the store, local market rents and the store sales history. Premises Rental fees are non-refundable.
Equipment, Fixtures and Leasehold Improvement Rental ₁	\$100 to \$5,000 per week	Weekly, in advance	You must also maintain the equipment, fixtures and leasehold improvements. Equipment, fixtures and leasehold improvement rental is not uniform and may vary based upon the amount of equipment, fixtures and leasehold improvements at the store. If Yum Yum adds new products you must buy or lease additional equipment from an independent supplier or Yum Yum ¹ . Yum Yum leases equipment, fixtures and leasehold improvements in an "as is" condition. Equipment, Fixtures and Leasehold Improvement Rental fees are non-refundable.
Insurance – Property and Liability	\$25 to \$100 per week	Weekly in advance	Insurance fees are imposed uniformly on all franchisees based on rates procured for all franchise locations as a group. Fees for property and liability insurance are non-refundable.
Utilities	\$100 to \$2,500 per week	Weekly	Utilities fees are specific to each franchise location and may vary from location to location. Utilities fees are non-refundable.

Regional Cooperative Advertising	Maximum 5% of gross sales	Established by franchisees	Franchisees may form an advertising cooperative and establish local advertising fees. Whether local advertising fees are refundable will be established by applicable franchisees. Whether local advertising fees are uniformly charged will be established by applicable franchisees.
----------------------------------	---------------------------	----------------------------	--

¹ Fees are imposed by, collected by and payable to Yum Yum.

² Interest begins from the date of the underpayment.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	None			
Initial Inventory (supplies, foodstuffs and small equipment)	\$2,500 to \$20,000 ¹	Lump sum or Promissory Note	Upon completion of the first week's review	Various suppliers and Yum Yum
Security Deposits for Utilities	\$0 to \$2,000	Lump sum	Before opening	Utility companies
Insurance—Worker's Compensation	\$625 to \$20,000 as premium pre-payment ¹	As incurred	Weekly in advance	Yum Yum or Insurance Company
Licenses, Permits	\$50 to \$1,000	Lump sum	Before opening	Local authorities
Security Deposit	\$-0- to \$17,000 ¹	Lump sum or Promissory Note	Upon signing the Franchise Agreement	Yum Yum
Equipment, Fixtures, Leasehold Improvements Rental	\$100 to \$5,000 per week ¹	As incurred	Weekly in advance	Yum Yum
Uniforms	\$100 to \$200	As incurred	As required by supplier	Uniform supplier or Yum Yum
Insurance—Property and Liability	\$25 to \$100 per week ¹	As incurred	Weekly in advance	Yum Yum or Insurance Company
Premises Rent	\$-0- to \$5,400 weekly + taxes, insurance &	As incurred	Weekly in advance	Yum Yum

	common area charges ¹			
Additional Funds— First 3 Months of Operation	-0-			
TOTAL:	\$3,400 to \$71,700 ²			

¹ Yum Yum may finance all first week costs except security deposits for utilities, uniforms, and licenses and permits. See Item 10 below.

² Each payment included in the total initial investment is non-refundable with the exception of the Security Deposit which is refundable upon termination of the franchise agreement less any amounts owed by you to Yum Yum upon termination.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must sublease or lease the franchised premises from Yum Yum. The rent you pay will normally be greater than the rent paid by Yum Yum to the owner of the premises. The rent will be increased once a year for Consumer Price Index adjustments (CPI) on the anniversary date of the Master Lease. In addition, the maximum weekly rent increase will be any amount by which the Master Lease rent has increased. In the year ending December 2023, Yum Yum's revenues from the lease of premises to franchisees was approximately \$11,938,441 or 12% of Yum Yum's total revenues of \$99,771,641.

The lease of the franchised premises and equipment from Yum Yum will represent approximately 100% of your overall leases in operating your store.

You must lease equipment, including trade fixtures, leasehold improvements and signs from Yum Yum. If the leased premises are remodeled, including changes to the equipment, décor, furnishings, fixtures and other tangible personal property, you may finance these costs by an increase in the weekly equipment lease rental in an amount necessary to amortize the actual cost over a period of years. In the year ending December 2023, Yum Yum's revenues from the lease of equipment to franchisees was \$1,418,863 or 1% of Yum Yum's total revenues of \$99,771,641.

Quality Naturally Foods, Inc. ("QNF") is an approved supplier of dry mix, fillings, icings, hot chocolate and iced and hot cappuccino. Some of Yum Yum's officers and directors are officers and directors of QNF and also own an interest in QNF. All of Yum Yum's and QNF's shares are owned by the same shareholders. In the year ended December 31, 2023, QNF's revenues from sales of items to franchisees was \$27,655,861. If you desire to buy these items from a source other than QNF, upon written request, Yum Yum will disclose its specifications and standards to the alternative manufacturer only if Yum Yum is satisfied with its production capacity, quality and sanitation, and this manufacturer signs a secrecy agreement fully satisfactory to Yum Yum, and you pay Yum Yum the cost of verifying the qualifications of the alternative source. Within 30 days of your initial written request, Yum Yum will give you written notice of its approval or disapproval of the alternative manufacturer. The manufacturer must prepare the products as specified in the formulas provided by Yum Yum. This manufacturer must also purchase and use Yum Yum's pre-mix in manufacturing these items, the formulas for which are trade secrets and may not be disclosed to any party under any circumstances.

The purchase of dry mix, fillings, icings, hot chocolate, iced and hot cappuccino, bagels and croissants will represent approximately 33% of your overall purchases in operating your store.

You must sell Coca Cola products at your store per a contractual agreement between Yum Yum and Coca Cola. There are a limited number of products from Coca Cola competitors that can be sold at your store. You will need to confirm with Yum Yum prior to offering these products. Promotional funds are based on purchases from Coca Cola for all stores.

Yum Yum does not provide material benefits, such as renewal or granting additional franchises, to you based on your purchase of particular products or services or use of particular suppliers.

Yum Yum negotiates purchase arrangements with suppliers for the benefit of its franchisees.

ITEM 9.
FRANCHISEE'S OBLIGATIONS

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure document item
a. Site selection and acquisition/lease	Section 5 of Franchise Agreement; Section 3 of Sublease.	Items 6 and 11
b. Preopening purchases/leases	Section 5 of Franchise Agreement; Section 2 of Equipment Lease.	Item 8
c. Site development and other preopening requirements	Section 8 of Franchise Agreement.	Items 6, 7 and 11
d. Initial and ongoing training	Section 8 of Franchise Agreement.	Item 11
e. Opening	Section 8 of Franchise Agreement.	Item 11
f. Fees	Section 5 of Franchise Agreement.	Item 6
g. Compliance with standards and policies/operating manual	Section 8 of Franchise Agreement.	Item 11

h. Trademarks and proprietary information	Section 17 of Franchise Agreement.	Items 13 and 14
i. Restrictions on products/services offered	Section 10 of Franchise Agreement.	Item 16
j. Warranty and customer service requirements	Not applicable	
k. Territorial development and sales quotas	Not applicable	
l. Ongoing product/service purchases	Section 10 of Franchise Agreement.	Item 8
m. Maintenance, appearance and remodeling requirements	Section 8 of Franchise Agreement.	Item 11
n. Insurance	Section 11 of Franchise Agreement.	Item 6
o. Advertising	Section 12 of Franchise Agreement.	Items 6 and 11
p. Indemnification	Section 13 of Franchise Agreement.	Item 6
q. Owner's participation/management	Section 8 of Franchise Agreement.	Items 11 and 15
r. Records and reports	Sections 14 and 15 of Franchise Agreement.	Item 6
s. Inspections and audits	Sections 9 and 15 of Franchise Agreement.	Items 6 and 11
t. Transfer	Section 16 of Franchise Agreement.	Item 17
u. Renewal	Section 4 of Franchise Agreement.	Item 17
v. Post-termination obligations	Section 21 of Franchise Agreement.	Item 17
w. Noncompetition conveyance	Section 18 of Franchise Agreement.	Item 17

x. Dispute resolution	Section 23 of Franchise Agreement.	Item 17
y. Other	Not applicable	

ITEM 10.
FINANCING

Item Financed (Source)	Amount Financed	Down Payment	Term (Years)	Annual Percentage Rate of Interest	Payment Amount	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Supplies, foodstuffs, insurance and small equipment and first week's rent (Yum Yum)	\$2,500 to \$13,400	-0-	Varies. depending on amount financed	10%	\$50 per week	None	None	Loss of Franchise Obligation to pay entire amount due	Loss of Franchise
Equipment, Fixtures and Leasehold Improvements Rental (Yum Yum)	N/A, not financed because it is leased	None	thirty day term	N/A	\$100 per week to \$1,000 per week. Varies ¹	None	Equipment	Loss of right to equipment, fixtures and leasehold improvements and payment of back rent	Loss of Franchise or transfer
Security Deposit (Yum Yum)	Amount of Security Deposit less Down Payment	Varies ¹	3 years or 5 years	10%	Equal weekly payments of principal and interest	None	None	Loss of Franchise Obligation to pay entire amount due	Loss of Franchise

¹ Down payment varies from store to store, and is usually based on actual cost and/or financial ability of franchisee.

We will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

It is not the practice or intent of Yum Yum to sell, assign or discount to a third party all or part of the financing arrangement.

ITEM 11.

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

Except as listed below, Yum Yum is not required to provide you with any assistance.

A. Before you open your business, Yum Yum will:

- (1) Specify a store location which will be the Franchise location and give you copies of all documents in final form at least 7 calendar days before opening. Yum Yum only franchises pre-existing donut shop locations and does not offer you assistance to site select new donut shop locations.
- (2) Sublease the location to you (Franchise Agreement - Paragraph 5 and Sublease). Premises are leased in an "as is" condition.
- (3) Lease the fixtures, equipment, leasehold improvements and trade fixtures to you (Franchise Agreement - Paragraph 5 and Equipment and Leasehold Improvements Lease). Yum Yum makes no guaranties or warranties regarding the leased fixtures and trade fixtures.

B. Before, on or shortly after opening your business, Yum Yum will:

- (1) Within 30 days of your signing the Franchise Agreement, assist in opening the store and training you, unless you already have experience managing a donut shop, as follows: (Franchise Agreement - Paragraph 8i)

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Financial record keeping, obtaining licenses, how to order materials, customer service, cash handling procedures, menu and product standards, sanitation standards, and scheduling of hours.*	-0-	Up to 16 hours depending on prior business experience.	All training takes place at the Franchise location.

- * You must have prior experience in making donuts and not need instruction in baking or other food preparation. The training instructors have at least one year of experience with each of the above subjects being taught.

C. Time between signing franchise agreement and opening of franchisee's business:

All franchisees sign the franchise agreement the same day as the opening of the franchisee's business.

D. During the operation of the Franchise business, Yum Yum will:

- (1) have Yum Yum personnel present at your store on or before the opening to advise in establishing operating procedures. (Franchise Agreement - Paragraph 9)
- (2) if requested, loan you a copy of our Baking and Recipes Manuals which contain mandatory and suggested specifications, standards and procedures. These Manuals are confidential and remain our property. Yum Yum may modify these Manuals, but any modification will not alter your status and rights under the Franchise Agreement. You must sign a Confidentiality Agreement in the form attached hereto as Exhibit 12 if you receive these Manuals or any other information confidential or proprietary to us. (Franchise Agreement - Paragraph 8b).
- (3) Require you to promote Coca-Cola™ and certain other products and participate in promotions which meet the requirements of the manufacturers or distributors of these products. Yum Yum will use funds and allowances received from the manufacturers and/or distributors to promote products and for advertising, promotion, new items of store equipment, and store enhancement programs. Yum Yum may require every store to contribute an equal amount, not in excess of \$20 per week to a store promotional fund. This fund shall be used for (i) the purchase of materials to be displayed inside and outside of the stores to promote the sale of products (including posters, banners, and counter cards), (ii) menuboard, and (iii) other forms of advertising including: radio, television, social media, internet advertising, etc. Yum Yum pays all costs of administering both the vendor promotional funds and the in store promotional funds. In addition, Yum Yum may designate a geographical area in which your store is located as a "regional advertising market." Only if a majority of the stores in a regional advertising market vote to create a regional cooperative advertising program would you be required to contribute the percentage of gross monthly sales required by that vote, but not in excess of 5% of your monthly gross sales. (Franchise Agreement - Paragraph 12). If you and other Franchisees in a regional advertising market request a cooperative advertising program, Yum Yum arranges for preparation of the advertising material and determines the cost of the material and the media, and advises the Franchisees in that geographical area of the cost. If a majority vote for the campaign, Yum Yum collects the funds and pays for the program, but makes no profit.

E. Cash register:

You must lease an electronic cash register and/or POS system which records all sales and revenue for each customer at the time of the sale. The cost of leasing the electronic cash register is included in Equipment, Fixture and Leasehold Improvement Rental fee described in Item 6, and there is no separate charge for leasing this cash register. This cash register must be cumulative and non-resetable, of a type Yum Yum approves in writing. You must provide Yum Yum with a key to permit readings of this cash register at any time, at Yum Yum's discretion. If your cash register must be repaired, replacement cash registers must have a beginning non-resetable total recorded.

The POS system requires a monthly subscription service fee per terminal as charged by the vendor. Yum Yum pays for the service and charges the Franchisee, but makes no profit. The subscription service fee covers maintenance, updates and support. Any necessary upgrade of the POS system will be made at the discretion of Yum Yum.

F. Training:

Unless you have previously been trained by Yum Yum or through other experiences are familiar with management of a donut shop, Yum Yum will, before, on or shortly after you open your business and within 30 days of signing your Franchise Agreement, train you. (See Item 11.B.1 above). You will not be charged for this training. Training must be completed to the satisfaction of Yum Yum before, on or shortly after opening your business and within 30 days of signing your Franchise Agreement.

You must be familiar with management of a donut shop, either from Yum Yum training or otherwise and have the managerial responsibility for the operation of your store.

In the future, Yum Yum may require you to complete additional training. Yum Yum will not charge you for such additional training.

Yum Yum shall inspect your store for the operation and testing of the products, items sold and otherwise to determine that the store operates in accordance with the terms of the Franchise Agreement and the Operations Manual. Yum Yum's district representative shall consult with you periodically concerning the operation of the franchise.

G. Advertising:

Yum Yum may require every Franchisee to contribute an amount not in excess of \$20 per week to a store promotional fund. This fund shall be solely used for the purpose of materials to be displayed within the Winchell's Franchised stores to promote the sale of products. Since the fund only benefits Franchisees, company-owned outlets shall not contribute to this fund. Yum Yum's Marketing Department shall administer this fund without charge for overhead or costs; all sums received from Franchisees shall be used to purchase promotional materials. No funds will be used to solicit new franchise sales. The fund is not audited, but records are available for inspection by the Franchisees. The fund is reviewed annually and shall be allocated for the benefit of Franchisees' in-store promotions.

You shall not directly engage in any institutional advertising activities nor shall you erect or display any sign, material, or notice of any type without the prior written consent of Yum Yum. Yum Yum will respond to your request for consent within 7 days. If you display any unauthorized sign or notice, Yum Yum may remove any unauthorized material at your expense.

Institutional advertising shall mean any advertising that covers more than your store, such as general statements about Yum Yum Donut Shops.

You may use your own advertising materials only after you have received Yum Yum's prior written approval.

You may not advertise your franchise on the Internet or a worldwide web page.

ITEM 12. TERRITORY

All franchises are for a specific location that we approve. You will not receive an exclusive territory in which to operate your Winchell's franchise. You may face competition from other franchisees, from stores that we own, or from other channels of distribution or competitive brands that we control. This includes other Winchell's donut stores franchised by WFL and "Yum Yum" donut shops franchised by Yum Yum.

Yum Yum currently operates 54 company-owned donut shops, most of which were acquired on October 20, 2004, by a purchase of these stores from Winchell's Donut Houses Operating Company, L.P., and have been operating under the Winchell's name. In 2018, Yum Yum opened its first retail gas station/convenience store/deli/donut shop under the Win Win name. As a part of this mixed-use retail combination, the donut shop may be operated using the Winchell's trademarks.

Yum Yum may also offer new franchises under a separate disclosure document for donut shops to be operated under the "Yum Yum" name. These "Yum Yum" donut shops will feature a similar menu and dining concept as "Winchell's" donut shops, including donuts, pastries, coffee and other beverages, and sandwiches. Yum Yum does not physically maintain separate offices for its franchising and operation of these "Yum Yum" donut shops.

Yum Yum's affiliate WFL currently franchises 31 donut shops under the "Winchell's" name. WFL may also offer new franchises for "Winchell's" donut shops under a separate disclosure document. These "Winchell's" donut shops will feature a similar menu and dining concept as the "Winchell's" franchises offered by Yum Yum, including donuts, pastries, coffee and other beverages, and sandwiches. WFL does not physically maintain separate offices from Yum Yum for its franchising and operation of these "Winchell's" donut shops.

You have no relocation rights, options, rights of first refusal, or rights to acquire other franchise outlets under the Franchise Agreement, Sublease, or Equipment and Leasehold Improvement Lease Agreement.

Even though you may be granted a franchise, we retain the right, for ourselves or through affiliates, in our discretion and without granting any other right to you, to:

(a) solicit prospective franchisees and grant franchises or other rights to operate a “Yum Yum” donut shop or a “Winchell’s” donut shop through national or regional advertising, trade shows, conventions or through e-commerce or similar means;

(b) own and operate “Yum Yum” donut shops or “Winchell’s” donut shops ourselves or through affiliates;



(c) sell and provide the services authorized for sale by “Winchell’s” donut shops under the Winchell’s trademarks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (like telephone, mail order, kiosk, co-branded sites and sites located within other retail businesses, Intranet, Internet, web sites, wireless, email or other form of e-commerce); and

(d) solicit prospective franchisees to own and operate businesses and restaurants of any other kind or nature, anywhere.

ITEM 13. TRADEMARKS

Yum Yum grants you the right to operate your store under the name “Winchell’s”. You may also use our other current or future trademarks to operate your store, as may be approved by Yum Yum. By trademarks, Yum Yum means tradenames, trademarks, service marks and logos used to identify your store. Yum Yum has registered the following principal trademarks on the Principal Register of the United States Patent and Trademark Office¹:

MARK	REGISTRATION DATE	REGISTRATION NO.	PRINCIPAL/ SUPPLEMENTAL REGISTER	COMMENTS
WINCHELL’S	1/14/1975	1,001,696	Principal Register	Yum Yum has filed all required affidavits for this principal trademark. This registration has been renewed.
WINCHELL’S	2/25/1975	1,005,434	Principal Register	Yum Yum has filed all required affidavits for this principal trademark. This registration has been renewed.
WINCHELL’S	5/6/1975	1,010,008	Principal Register	Yum Yum has filed all required

				affidavits for this principal trademark. This registration has been renewed.
WINCHELL'S DONUT HOUSE (stylized and design) 	3/25/1975	1,007,521	Principal Register	Yum Yum has filed all required affidavits for this principal trademark. This registration has been renewed.
WINCHELL'S (with Coffee Cup and Donut Design) 	5/13/2003	2,716,503	Principal Register	Yum Yum has filed all required affidavits for this principal trademark.
HOME OF THE WARM 'N FRESH DONUT	9/24/2002	2,623,831	Principal Register	Yum Yum has filed all required affidavits for this principal trademark.
WARM 'N FRESH	4/15/2003	2,706,117	Principal Register	Yum Yum has filed all required affidavits for this principal trademark.

The following trademarks, service marks, trade names and logotypes to be licensed to you are registered with the California Secretary of State¹:

MARK	REGISTRATION DATE	REGISTRATION NO.	COMMENTS
WINCHELL'S	6/27/1984	20184	This registration has been renewed.
Winchell's	6/27/1984	73601	This registration has been renewed.

¹ With regard to each trademark listed above, there are no pending infringement, opposition or cancellation proceedings. There are no effective determinations of the U.S. Patent and Trademark Office, the trademark administrator of this state or any court, nor any pending material litigation involving principal marks that are material to you.

You must follow our rules when you use any of the Winchell's trademarks. You cannot use any of the Winchell's trademarks with modifying words, designs or symbols except for those which Yum Yum specifically licenses to you. You may not use any of the Winchell's trademarks in connection with the sale of an unauthorized product or service that Yum Yum has not authorized in writing. No agreements limit Yum Yum's right to use or license the use of any of the Winchell's trademarks.

You must notify Yum Yum immediately when you learn about an infringement of or a challenge to your use of our trademarks. Yum Yum is not required to take affirmative action when notified of an infringement of or a challenge to your use of our trademarks. Yum Yum will have the right to control any administrative proceeding or litigation involving the Winchell's trademarks, and to take the action we think appropriate. Yum Yum will defend and indemnify you against damages for which you are held liable arising from your use of the Winchell's trademarks resulting from claims by third parties that your use of the Winchell's trademarks infringes their trademark rights, provided you have notified Yum Yum immediately when you learned about the claim or challenge.

You must modify or discontinue the use of a trademark if Yum Yum modifies or discontinues it. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

Yum Yum does not know of any superior rights or infringing uses that could materially affect your use of the Winchell's trademarks in this state.

ITEM 14.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in Yum Yum's Operations Manual. The Operations Manual is described in Item 11. Although Yum Yum has not filed an application for a copyright registration for this Operations Manual, it claims a copyright and the information is proprietary.

Item 11 describes limitations on your use of this Manual. You must also promptly tell us when you learn about unauthorized use of this proprietary information. Yum Yum is not obligated to take any action but will respond to this information as we think appropriate. Yum Yum will indemnify you for lawsuits brought by a third party concerning your use of this information.

ITEM 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must directly supervise the franchise business on its premises. Supervision means that you must be at your donut shop a minimum of 40 hours a week. If you franchise more than one donut shop from us, then you must appoint another qualified person who has sufficient prior experience managing a donut shop to manage each additional donut shop.

ITEM 16.

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that Yum Yum has approved (see Item 9). You must also offer all goods that Yum Yum designates as required for all Franchisees. These required goods consist primarily of donuts, pastries, coffee, sandwiches (if permitted by the terms of the underlying master lease), milk, soft drinks and related items and are specified in Part 3 of the Operations Manual. If Yum Yum determines, in the course of its inspection program, that any goods do not meet specifications for quality and freshness, you may have to dispose of those items without selling them to the public.

Yum Yum has the right to add additional authorized goods that you must offer. There are no limits on Yum Yum's right to do so.

The dry mix and other proprietary Yum Yum products may only be used in the preparation of food items at your donut shop and you must not sell them to the public or otherwise dispense them from the shop.

Yum Yum does not permit any vending games or other coin operated machines in the shop unless approved in writing by Yum Yum.

ITEM 17.

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the term of the Franchise	Section 3 (also Section 2 of Sublease)	30 days--automatically renewed
b. Renewal or extension of the term.	Section 4 (also Section 2 of Sublease)	Automatic for 30-day period
c. Requirements for Franchisee to renew or extend	Section 3	Both you and Yum Yum have the right not to renew.
d. Termination by Franchisee	Section 3	30 day Notice without Cause
e. Termination by Franchisor without cause	Section 3	See Items b. and c. above
f. Termination by Franchisor (with cause, including by Condemnation)	Sections 20 and 21 Section 3 (also Section 11 of the Sublease)	See Items b. and c. above. If by Condemnation, the entire condemnation award, including

		any award by reason of the value of the business being conducted on the premises, shall be paid to Yum Yum (less any portion which is awarded to the landlord of the premises).
g. "Cause" defined—Curable defaults	Section 21.a	You have until the earlier to occur of (a) the date your security deposit actually paid is exhausted by your past due obligations to Yum Yum, or (b) ten days after notice, or longer if required and you begin to cure within ten days.
h. "Cause" defined--Defaults which cannot be cured	Section 21.a	Non-curable defaults conviction of offense related to conduct of business, death or repeated defaults even if cured, abandonment or unapproved transfer
i. Your obligations on termination/non-renewal	Section 21	Surrender of premises, return of manuals, and payment of obligations
j. Assignment of contract by Yum Yum	Section 23.i	No restriction
k. "Transfer" by you-defined	Section 16	Any transfer is void without our consent
l. Yum Yum approval of transfer by you	Section 16	No transfers are permitted without our consent
m. Conditions for Yum Yum approval of transfer	Section 16	Because you do not acquire any ownership interest in the capital assets of your business and only lease those assets, transfer of the franchise will require Franchisor approval, which will be granted only if (1) the proposed transferee is an individual satisfying Franchisor's then current standards and (2) you and the transferee have satisfied all conditions for the transfer as detailed in Franchise Agreement Section 16.

n. Yum Yum's right of first refusal to acquire your business	None	
o. Yum Yum's option to purchase your business	None	
p. Your death or disability	Section 20.j	Franchise terminates
q. Non-competition covenants during the term of the Franchise	Section 18	No ownership or employment in another donut business
r. Non-competition covenants after the Franchise is terminated or expires	Section 18	You are prohibited from competing for 5 years within 5 miles of your previous location
s. Modification of the Agreement	Section 23.d Must be in writing	
t. Integration/Merger clause	Section 23.d	Only written agreements are enforceable, subject to state law. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 23.m	Arbitration must be in Los Angeles, California
v. Choice of Forum	Section 23.m	Litigation must be in Los Angeles, California
w. Choice of law	Section 23.l	California law applies

ITEM 18.
PUBLIC FIGURES

Yum Yum does not use any public figure to promote its business or franchises.

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATIONS

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

franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tony Camolina, 17355 Railroad St., City of Industry, CA 91748, (626) 964-1478, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.

OUTLETS AND FRANCHISEE INFORMATION

A. **Yum Yum Donut Shops, Inc. Outlets:** The following tables include information for all franchised and company-owned outlets operated by Yum Yum whether operating as "Yum Yum" donut shops or "Winchell's" donut shops.

Table 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Change
Franchised	2021	108	106	-2
	2022	106	105	-1
	2023	105	105	0
Company-Owned	2021	45	48	+3
	2022	48	52	+4
	2023	52	54	+2
Total Outlets	2021	153	154	+1
	2022	154	157	+3
	2023	157	159	+2

Table 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
California	2021	+13
	2022	7
	2023	10
Total	2021	13
	2022	7

	2023	10
--	------	----

Table 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
California	2021	108	14	13	0	1	2	106
	2022	106	8	7	0	1	1	105
	2023	105	10	10	0	0	0	105
Totals	2021	108	14	13	0	1	2	106
	2022	106	8	7	0	1	1	105
	2023	105	10	10	0	0	0	105

Table 4
Status of Company-Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
California ²	2021	45	3	1	0	1	48
	2022	48	4	1	0	1	52
	2023	52	2	0	0	0	54
Totals	2021	45	3	1	0	1	48
	2022	48	4	1	0	1	52
	2023	52	2	0	0	0	54

Table 5
Projected Openings As Of December 31, 2023

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
California	0	0	1

2 Yum Yum did not open any new stores during the period 1992-2007, 2009-2012, 2016-2017. In 2014-2015, Yum Yum opened one new store each year, four in 2018, one in 2019, three in 2020, two in 2021, 4 in 2022, and 2 in 2023. The figures for company-owned stores reflect closures by franchising the store and opening where a franchisee terminated and the company operated the store until a new franchisee took over operation

Total	0	0	1
-------	---	---	---

If any Franchisees terminate their franchises, those locations will be offered to new Franchisees. There is no reliable method to forecast how many Franchisees will terminate their franchises.

B. **Winchell's Franchising, LLC Outlets:** The following tables include information for all franchised and company-owned outlets operated by Yum Yum's affiliate Winchell's Franchising, LLC.

Table 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Change
Franchised	2021	37	33	-4
	2022	33	33	0
	2023	33	31	-2
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	37	33	-4
	2022	33	33	0
	2023	33	31	0-2

Table 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
California	2021	1
	2022	0
	2023	0
Colorado	2021	0
	2022	2
	2023	0
Nebraska	2021	0
	2022	0
	2023	0
Totals	2021	1
	2022	2
	2023	0

Table 3

**Status of Franchised Outlets
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
California	2021	10	2	1	0	0	0	11
	2022	11	0	0	0	0	0	11
	2023	11	0	0	0	0	0	11
Colorado	2021	10	0	0	0	0	1	9
	2022	9	2	2	0	0	0	9
	2023	9	1	0	0	0	2	8
Nevada	2021	10	1	0	0	0	1	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	1	9
Nebraska	2021	5	0	0	0	0	4	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	37	3	1	0	0	6	33
	2022	33	2	2	0	0	0	33
	2023	33	1	0	0	0	3	31

**Table 4
Status of Company-Owned Outlets
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
California	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

	2023	0	0	0	0	0	0
--	------	---	---	---	---	---	---

Table 5
Projected Openings As Of December 31, 2023

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
California	0	0	0
Colorado	0	0	0
Washington	0	0	0
Oregon	0	0	0
Nevada	0	0	0
Nebraska	0	0	0
Oklahoma	0	0	0
Kansas	0	0	0
Total	0	0	0

The names of all current Yum Yum and WFL franchisees and the addresses and telephone numbers of each of their outlets are listed on Exhibit 1.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Winchell's Donuts. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The name and last known address and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the disclosure document issuance date are listed below. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisee Address

Phone

Termination Date/Reason

Yum Yum Donut Shops, Inc. Outlets:

Eddy Manuel Del Cid Lemus **(951)250-4437** **9/20/23** **A**
1410 N. Grand Ave., Apt M

Covina, CA 91724

Delmy Torres (626)986-3008 10/25/23 **A**
1027 Virginia Pl., Apt A
Glendale, CA 91204

Kristian G. Davila (909)745-6772 3/15/23 **A**
5242 Odell St.
Jurupa Valley, CA 92509

Maria Barrios (562)616-4198 2/22/23 **A**
3690 Lynwood Rd.
Lynwood, CA 90262

Javier Carrillo (818)219-4791 10/18/23 **A**
9201 Sepulveda Blvd., #22
North Hills, CA 91343

Jaime A. Hernandez (626)714-9071 2/1/23 **A**
514 Champlain Ave.
Pasadena, CA 91103

Andres G. Mercado 11/1/23 **A**
4123 Zola St.
Pico Rivera, CA 90660

Javier Garibay-Sanchez (831)754-3070 10/11/23 **A**
15 Nogal Circle
Salinas, CA 93905

Bryan E Acevedo Mejia (619)373-6478 12/6/23 **A**
654 E. San Ysidro Blvd, #535
San Ysidro, CA 92173

Jennifer Hernandez Loreda 11/15/23 **A**
5772 Garden Grove Blvd.
Westminster, CA 92683

Winchell's Franchising, LLC Outlets:

Sebah Aziz (303)428-3277 12/27/23 **A**
7930 Sheridan Blvd.
Arvada, CO 80003

Donuts of Las Vegas (702)564-6701 2/9/23 **A**
3031 W. Horizon Ridge, #100

Henderson, NV 89052

Legend:

A = Franchisee terminated franchise to pursue other interests.

B = Franchisee terminated franchise for one store to become a Franchisee of another store.

C = Yum Yum purchased Franchisee's rights and closed store.

D = Franchisee is deceased.

Additional information concerning previously franchised outlets that are now company-owned or that have been company-owned is listed on Exhibit 9.

ITEM 21.
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit 2 are the audited, consolidated financial statements of Yum Yum for the three years ended December 31, 2023, December 31, 2022, and December 31, 2021.

ITEM 22.
CONTRACTS

A copy of the Franchise Agreement is attached as Exhibit 3. A standard Equipment Lease is attached as Exhibit 4 and a standard Sublease is attached as Exhibit 5.

ITEM 23.
RECEIPTS

The Receipt is a separate document to be signed and returned to us. The last page of this Disclosure Document is a duplicate copy of the Receipt for your records.

EXHIBIT 1
YUM YUM DONUT SHOPS, INC. OUTLETS

YUM YUM DONUT OUTLETS

ST #		STREET ADDRESS	CITY	ST	ZIP	TELEPHONE #	FRANCHISEE
38	J	5833 N. KANAN RD.	AGOURA HILLS	CA	91301	(818)706-1402	CEDRIC LOPEZ
28	G	9 S. FREMONT AVE.	ALHAMBRA	CA	91801	(626)576-9775	GLENDA MARISOL JURADO
9		10501 MAGNOLIA	ANAHEIM	CA	92804	(714)995-9976	MARIA NUNEZ
611	K	100 BRUNDAGE LANE	BAKERSFIELD	CA	93304	(661)326-9376	JESUS CAMOLINA
50	E	3205 BALDWIN PARK BLVD.	BALDWIN PARK	CA	91706	(626)962-9231	ELIAS DEL CID
62	E	4351 N. MAINE	BALDWIN PARK	CA	91706	(626)962-9254	LORRAINE M SOLARES
42	H	380 E. SIXTH ST.	BEAUMONT	CA	92223	(951)845-9069	GENOVEVA VILLEGAS
9311	G	555 S. GLENOAKS BLVD.	BURBANK	CA	91502	(818)843-3831	MARICELA SOSA
27	J	6804 DE SOTO AVE.	CANOGA PARK	CA	91306	(818)961-0264	OTONIEL SOLARES
24	B	16530 W. SOLEDAD CANYON RD.	CANYON COUNTRY	CA	91351	(661)252-9992	RAUL ARAGON
39	D	12819 C-7 MOUNTAIN AVE.	CHINO	CA	91710	(909)628-9037	IGNACTO ARMAS
509	H	618 E ST.	CHULA VISTA	CA	91910	(619)621-2465	ERIKA ESPRIU
524		517 TELEGRAPH CANYON	CHULA VISTA	CA	92010	(619)421-9952	IRMA MATOS
73	M	366 S. INDIAN HILL BLVD.	CLAREMONT	CA	91711	(909)626-9126	ELIAS J. DEL CID
9042	F	623 S. CITRUS AVE.	COVINA	CA	91723	(626)331-5137	ANDREA GONZALEZ
9225	B	429 N. VINCENT AVE.	COVINA	CA	91723	(626)962-0110	ELIAZAR FONSECA BAUTISTA
9876	D	902 E. ARROW HWY	COVINA	CA	91724	(626)332-1656	MARTHA ALDERETE
30	L	7410 FLORENCE AVE.	DOWNEY	CA	90240	(562)927-9178	GABRIELA CASTANEDA
60	H	10518 GARVEY AVE.	EL MONTE	CA	91731	(626)350-9708	GRACIELA ARROYO
9278	B	1881 E. VALLEY PKWY	ESCONDIDO	CA	92027	(760)480-0272	JOANNA OROZCO
9471	I	606 W. GLENOAKS	GLENDAL	CA	91202	(818)246-8725	ROSA MARIA CERVANTES
522	K	7550 EL CAJON BLVD.	LA MESA	CA	91941	(619)464-9812	NORMA QUEZADA
9252	B	12821 VALLEY VIEW AVE.	LA MIRADA	CA	90638	(562)921-3616	MARIA PAOLA GOVEA SALAZAR
3	C	5454 W. ORANGETHORPE	LA PALMA	CA	90623	(714)739-9952	JOSE ENRIQUE LEMUS
67	H	13700 AMAR AVE.	LA PUENTE	CA	91746	(626)917-5241	SALVADOR MELGAR SOLARES
9026	H	1225 N. HACIENDA BLVD.	LA PUENTE	CA	91744	(626)917-9251	IRMA YESENIA ARECHIGA
518	J	6998 FEDERAL BLVD.	LEMON GROVE	CA	92045	(619)697-3539	CORNELIO YANEZ
514	F	6925 LINDA VISTA RD.	LINDA VISTA	CA	92111	(858)571-9410	JONATAN DONIS LEMUS
9280	E	6411 SPRING ST.	LONG BEACH	CA	90808	(562)425-9468	JOSE P. ESTRADA
13	C	12201 VENICE BLVD.	LOS ANGELES	CA	90066	(310)397-9391	AURELIO CARRILLO
15		1976 S. LA CIENEGA BLVD.	LOS ANGELES	CA	90034	(310)836-6061	JOSE M. PALENCIA
19	J	724 N. HIGHLAND AVE.	LOS ANGELES	CA	90038	(323)462-9067	HENRY O. MELGAR
53		3351 WHITTIER BLVD.	LOS ANGELES	CA	90023	(323)267-8630	GERARDO PALENCIA
59	E	1608 S. HOOVER	LOS ANGELES	CA	90006	(213)745-4460	BYRON HERNANDEZ
63	B	6600 E. OLYMPIC BLVD., #106	LOS ANGELES	CA	90022	(323)721-4122	DANIEL LEE ALLEN
71	B	3103 SAN FERNANDO RD.	LOS ANGELES	CA	90065	(323)256-9412	CARLOS RIVAS
75	Q	4815 VALLEY BLVD., #1	LOS ANGELES	CA	90032	(323)226-0344	SAMUEL PALENCIA
9147	G	5836 W. MANCHESTER	LOS ANGELES	CA	90045	(310)216-4278	GRISelda CONTRERAS
9235	D	700 N. VINE ST.	LOS ANGELES	CA	90038	(323)467-6773	MONICA IVONNE TRUJILLO
68	C	11150 LONG BEACH BLVD.	LYNWOOD	CA	90262	(310)637-5837	ROSA M. PALENCIA
620	F	105 W. YOSEMITE	MADERA	CA	93637	(559)661-9017	DULCE MARTINEZ
45		5921 ATLANTIC BLVD.	MAYWOOD	CA	90270	(323)562-1986	ILDA MENDOZA
603	B	2931 G ST.	MERCED	CA	95340	(209)383-3212	JOSE P. RINCON
61	E	9886 CENTRAL AVE.	MONTCLAIR	CA	91763	(909)621-4749	SILVIA RUESTRA
502	G	3122 E. PLAZA BLVD.	NATIONAL CITY	CA	91950	(619)470-9723	DARLA SANTILLAN MAFNAS
9499	B	23342 LYONS	NEWHALL	CA	91321	(661)799-3667	RUTILIO ADAME
55	L	2792 HAMNER AVE.	NORCO	CA	91760	(951)371-9364	JOSE J. CHAVEZ
25	K	11699 MAGNOLIA BLVD.	NORTH HOLLYWOOD	CA	91601	(818)760-9054	CARLOS M. PALENCIA
9326	C	7605 LANKERSHIM BLVD.	NORTH HOLLYWOOD	CA	91605	(818)764-1975	OSCAR ANTONIO SANTOS
9520	C	6001 LANKERSHIM BLVD.	NORTH HOLLYWOOD	CA	91606	(818)506-3199	BENJAMIN SOLARES
9399	C	15900 PIONEER BLVD.	NORWALK	CA	90650	(562)229-1040	KEILA GOMEZ
510	D	3304 MISSION AVE.	OCEANSIDE	CA	92054	(760)435-9418	JOSE YANEZ
65	I	1870 PALMDALE BLVD.	PALMDALE	CA	93550	(661)273-6721	JOSE ADOLFO SOLARES
69	M	9000 SLAUSON	PICO RIVERA	CA	90660	(562)942-9151	ARGELIA PALENCIA
9309	B	8139 W. MANCHESTER	PLAYA DEL REY	CA	90293	(310)823-0045	GRISelda CONTRERAS
612	H	8 W. OLIVE	PORTERVILLE	CA	93257	(559)784-9717	ROBERTO JIMENEZ
9178	D	514 E. REDLANDS BLVD.	REDLANDS	CA	92373	(909)792-8417	ROCIO GUTIERREZ
33	H	205 E. FOOTHILL BLVD.	RIALTO	CA	92376	(909)877-6922	MARTHA ARMAS
29	B	3247 ARLINGTON AVE.	RIVERSIDE	CA	92506	(951)683-5489	MARIA G. CAMOLINA
51	E	5130 ARLINGTON AVE.	RIVERSIDE	CA	92504	(951)687-4548	SILVIA RUESTRA
52	D	8918 LIMONITE AVE.	RIVERSIDE	CA	92509	(951)685-9517	LORENA HERNANDEZ

ST #		STREET ADDRESS	CITY	ST	ZIP	TELEPHONE #	FRANCHISEE
614	D	3671 FRANKLIN BLVD.	SACRAMENTO	CA	95818	(916)453-9193	CARLOS A. GALLEGOS
43	G	932 W. HIGHLAND AVE.	SAN BERNARDINO	CA	92405	(909)882-9269	ONEIDA RIVERA
48	D	908 W. MILL ST.	SAN BERNARDINO	CA	92410	(909)889-4156	MARIA S. CAMOLINA
501	E	1820 CORONADO BLVD.	SAN DIEGO	CA	92154	(619)575-9752	BENEDICTO SOLARES
511	G	8518 JAMACHA RD.	SAN DIEGO	CA	92114	(619)466-7710	BLANCA ESTELA RUIZ
601	I	1090 MERIDIAN AVE.	SAN JOSE	CA	95125	(408)723-9713	MARIA FARIAS
9038	C	400 BLOSSOM HILL RD.	SAN JOSE	CA	95123	(408)363-8121	LUIS ANGEL CARRILLO
9193	B	2309 MCKEE RD.	SAN JOSE	CA	95116	(408)729-3510	DIANA REYES ROSALES
517	H	1240 E. MISSION RD.	SAN MARCOS	CA	92069	(760)743-9435	RUBEN E. RODRIQUEZ
9352	E	540 S. GAFFEY	SAN PEDRO	CA	90731	(310)832-1876	MARGARITA GONZALEZ
504	C	482 W. SAN YSIDRO BLVD.	SAN YSIDRO	CA	92073	(619)428-4755	DENISSE SOLARES
16	B	320 E. 17 TH ST.	SANTA ANA	CA	92706	(714)560-0247	FLORENCIO SOLARES
17	D	2441-A N. TUSTIN AVE.	SANTA ANA	CA	92705	(714)834-9799	ERICK SANTANA
18	C	2628 PICO BLVD.	SANTA MONICA	CA	90405	(310)452-9814	JUSTINO INEZ CORDOBA
9342	A	16167 NORDHOFF	SEPULVEDA	CA	91344	(818)892-3511	NOE MARTINEZ
34	P	5903 E. IMPERIAL HWY	SOUTH GATE	CA	90280	(562)861-8552	AIDA MELISSA CORDOZA
610	I	544 E. CHARTER WAY	STOCKTON	CA	95206	(209)942-2164	MANUEL FIGUEROA S.
616	H	502 WILSON WAY	STOCKTON	CA	95205	(209)946-9672	EUSTACIO GOMEZ
9516	E	8704 FOOTHILL BLVD.	SUNLAND	CA	91040	(818)352-1583	ALMA LOPEZ
41	C	13501 HUBBARD ST.	SYLMAR	CA	91342	(818)367-9800	JOSE B. SOLARES
9044	E	17210 PRAIRIE AVE.	TORRANCE	CA	90504	(310)371-8114	IRENIA HERELIN HERNANDEZ
23	G	14425 SHERMAN WAY	VAN NUYS	CA	91405	(818)989-7074	ALBERT F. MERINO
64	H	14546 7 TH ST.	VICTORVILLE	CA	92392	(760)243-9803	GENOVEVA VILLEGAS
505	D	924 S. SANTA FE AVE.	VISTA	CA	92084	(760)726-1391	LEONEL ORTIZ
74	M	10426 E. WHITTIER BLVD.	WHITTIER	CA	90606	(562)699-9266	RICHARD A. MERINO
9508	A	13471 TELGRAPH RD., #A	WHITTIER	CA	90605	(562)906-4926	HUGO DEL CID LOPEZ

WINCHELL'S DONUT OUTLETS

ST #		STREET ADDRESS	CITY	ST	ZIP	TELEPHONE #	FRANCHISEE
9050	A	184 E. CARSON ST.	CARSON	CA	90745	(310)835-7511	ANA M. VAZQUEZ
9211	E	1128 S. HACIENDA	HACIENDA HEIGHTS	CA	91745	(626)336-9611	GUADALUPE MERCADO
9267	B	1316 VINE ST.	HOLLYWOOD	CA	90028	(323)462-8617	PAULINA MENDOZA
9283	B	10801 S. CRENSHAW BLVD.	INGLEWOOD	CA	90303	(310)677-5825	AURELIO CARRILLO
9337	B	3495 E. ARTESIA BLVD.	LONG BEACH	CA	90805	(562)216-7079	DULCE SANTIZO
9378	A	1404 W. IMPERIAL HWY	LOS ANGELES	CA	90047	(323)754-8346	JOSEFINA MARTINEZ
9013	D	6014 ATLANTIC BLVD.	MAYWOOD	CA	90270	(323)560-0891	MABILIA ARRIAGA
9484	C	2447 E. PLAZA BLVD.	NATIONAL CITY	CA	91950	(619)479-8300	JOSE VAZQUEZ
9328	B	15015 ROSCOE	PANORAMA CITY	CA	91402	(818)891-9125	EDI ANGELA ALVARENGE
9341	B	571 S. LAKE ST.	PASADENA	CA	91101	(626)396-7065	CLAUDIA J. DEL CID
9364	F	12372 POWAY RD.	POWAY	CA	92064	(858)748-7955	EDUARDO SOLARES CHAJON
9102	A	438 FAIR OAKS BLVD.	S. PASADENA	CA	91030	(626)799-9324	HUMBERTA SANCHEZ
9072	C	1120 S. MAIN ST.	SALINAS	CA	93901	(831)758-4588	MARITZA LOPEZ
9107	B	640 E. LAUREL DR.	SALINAS	CA	93906	(831)770-0731	RENE A. DEL CID
9866	B	969 E. ALISAL	SALINAS	CA	93905	(831)770-0766	EDDY MANUEL DEL CID LEMUS
9105	D	1501 ROSECRANS ST.	SAN DIEGO	CA	92106	(619)222-1653	EDUARDO SOLARES
9449	B	202 N. MILPAS	SANTA BARBARA	CA	93103	(805)965-9203	MARTIN MANZANAREZ
9319	I	5416 RESEDA BLVD.	TARZANA	CA	91356	(818)708-2174	CARLOS R SANTOS
9423	A	10833 NATONAL	WEST LOS ANGELES	CA	90064	(310)474-9010	NOELIA QUINONEZ
9128	E	6502 GREENLEAF AVE.	WHITTIER	CA	90601	(562)698-5719	CARLOS RAMIREZ REYES

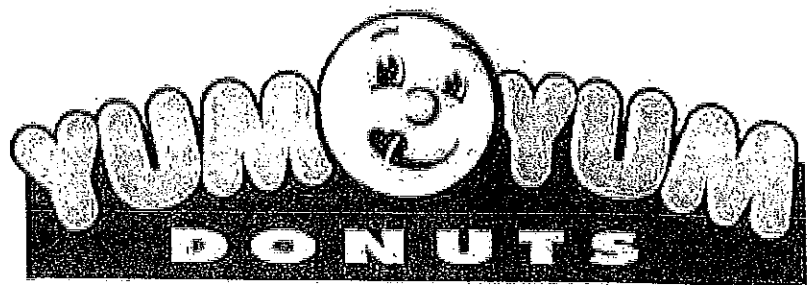
WINCHELL'S FRANCHISING, LLC OUTLETS

ST #		STREET ADDRESS	CITY	ST	ZIP	TELEPHONE #	FRANCHISEE
907		34091 DATE PALM DR.	CATHEDRAL CITY	CA	92234		MANUEL MARTINEZ
509		12437 CENTRAL AVE.	CHINO	CA	91710	(909)391-7142	NABIEL DIAB
912		1075 S. MISSION RD., SUITE M	FALLBROOK	CA	92025		LEONEL ORTIZ & REYNA HERRERA
9389		45995 MONROE	INDIO	CA	92201	(760)342-3287	MANUEL MARTINEZ
908		301 N. HARBOR BLVD.	LA HABRA	CA	90631		NABIEL DIAB
909		818 WEST AVENUE L	LANCASTER	CA	93534	(661)644-0317	RAUL ARAGON
901	B	78395 VARNER RD., SUITE C	PALM DESERT	CA	92211	(760)360-5011	HERBERT MARTINEZ
910		1717 VISTA CHINO, SUITE B5	PALM SPRINGS	CA	92262		MANUEL MARTINEZ
9527		2727 MANHATTAN BEACH BLVD.	REDONDO BEACH	CA	90278	(310)536-0694	JULIA HERNANDEZ
728		15001 7 TH ST.	VICTORVILLE	CA	92395	(760)241-4587	NABIEL DIAB
487	B	7930 SHERIDAN BLVD.	ARVADA	CO	80003	(303)428-3277	HASSAN BATIKHA

ST #		STREET ADDRESS	CITY	ST	ZIP	TELEPHONE #	FRANCHISEE
533		15195 E. HAMPDEN	AURORA	CO	80014	(303)693-3164	MAHMOUD MUKAYESS
126		4965 FEDERAL BLVD.	DENVER	CO	80221	(303)477-5926	MARK NAMEH
9172	C	5195 W. FIRST AVE.	DENVER	CO	80219	(303)934-5352	EYOB TEKLEWOLD
133		1503 8 TH AVE.	GREELEY	CO	80631	(970)353-5728	MARK NAMEH
913		4239 CENTERPIECE DR., UNIT 1B	GREELEY	CO	80634		BATKHA, AHMAD & SAMER KOUDESI
911		4516 W. IMPERIAL HWY	HAWTHORNE	CA	90250		JULIA HERNANDEZ
331	A	6801 W. COLFAX	LAKEWOOD	CO	80214	(303)232-4789	HASSAN BATIKA
321	A	502 MAIN ST.	LONGMONT	CO	80501	(303)772-4100	NAFE KUDSI
9452	A	1000 44 TH AVE.	WHEATRIDGE	CO	80033	(303)423-1231	HUMBERTO TRONCOSO
9558		1205 W. PAWNEE AVE.	WICHITA	KS	67213	(316)265-0663	SERGIO CAMOLINA
9571	B	2905 S. 120 TH ST.	OMAHA	NE	68144	(402)334-5140	BENIGNO SOLARES DEL CID
906		1620 NEVADA HWY	BOULDER CITY	NV	89005		DONUTS OF LAS VEGAS
265		401 N. EASTERN AVE.	LAS VEGAS	NV	89101	(702)384-3463	DONUTS OF LAS VEGAS
276		830 RANCHO DR.	LAS VEGAS	NV	89106	(702)648-9036	DONUTS OF LAS VEGAS
413		4111 BOULDER HWY	LAS VEGAS	NV	89121	(702)641-9800	DONUTS OF LAS VEGAS
415		701 N. DECATUR	LAS VEGAS	NV	89107	(702)870-6340	DONUTS OF LAS VEGAS
480		4580 E. TROPICANA	LAS VEGAS	NV	89121	(702)456-7100	DONUTS OF LAS VEGAS
902		8110 W. WARM SPRINGS BLVD.	LAS VEGAS	NV	89113		DONUTS OF LAS VEGAS
915		1961 N. NELLS BLVD.	LAS VEGAS	NV	89115		DONUTS OF LAS VEGAS
9886		3307 SOUTH JONES	LAS VEGAS	NV	89146	(702)367-1427	CIDA KATO
9580		308 S. VAN BUREN	ENID	OK	73703	(580)234-2882	FELIPE LOPEZ RALDA
916		6820 S. LIVERPOOL ST., UNIT B	AURORA	CO	80016	(720) 422-1210	SAMER MUKAYESS

EXHIBIT 2

Audited Financial Statements



December 31, 2023

Quigley & Miron

Yum Yum Donut Shops, Inc.
Audited Financial Statements
Table of Contents
December 31, 2023

	<u>Page Number</u>
Independent Auditor's Report.....	1
Audited Financial Statements	
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Changes in Stockholders' Equity.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 869-6108
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Yum Yum Donut Shops, Inc.
City of Industry, California

Opinion

We have audited the financial statements of Yum Yum Donut Shops, Inc. (Company), a California C corporation, which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in stockholders' equity, and cash flows for the year 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 the Company as of December 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date 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 assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Los Angeles, California
April 8, 2024

A handwritten signature in cursive script, reading "Ziegler & Nelson".

Yum Yum Donut Shops, Inc.
Balance Sheet
December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 15,720,253
Marketable securities—Note 2	9,348,641
Accounts receivable	2,264,528
Accounts receivable, affiliate—Note 6	49,907
Due from employees, current portion	66,602
Notes receivable, current portion—Note 3	550,736
Inventory—Note 4	569,175
Prepaid expenses	1,241,379
Prepaid income taxes—Note 9	1,239,711
Deferred income taxes	200,000
Deposits	740,703

Total Current Assets 31,991,635

Noncurrent Assets

Property and equipment, net of accumulated depreciation and amortization in the amount of \$20,365,751—Note 5	31,734,518
Operating lease right-of-use asset—Note 7	21,339,351
Due from employees, net of current portion	1,545,653
Notes receivable, net of current portion—Note 3	11,313,492
Deposits	4,975,632

Total Noncurrent Assets 70,908,646

Total Assets \$ 102,900,281

Liabilities and Stockholders' Equity

Current Liabilities

Accounts payable, trade	\$ 1,224,134
Accounts payable, affiliate—Note 6	1,180,926
Accrued expenses and other current liabilities	3,159,052
Franchisees' impounds	935,993
Operating lease liability, current—Note 7	5,056,322

Total Current Liabilities 11,556,427

Noncurrent Liabilities

Deferred income taxes, noncurrent	16,000
Security deposits	1,103,170
Operating lease liability—Note 7	17,873,471

Total Noncurrent Liabilities 18,992,641

Total Liabilities 30,549,068

Commitments and Contingencies—Note 7

Stockholders' Equity

Common stock, no par value; 10,000 shares authorized; 4,000 shares issued and outstanding	3,222,679
Retained earnings	69,128,534

Total Stockholders' Equity 72,351,213

Total Liabilities and Stockholders' Equity \$ 102,900,281

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Operations
Year Ended December 31, 2023

Revenues	
Net sales	\$ 81,327,432
Franchise revenues	
Royalty revenue	5,086,122
Rental revenue	13,358,087
	<u>13,358,087</u>
Total Revenues	99,771,641
Cost of Sales—Note 4	<u>59,164,797</u>
	Gross Profit 40,606,844
Operating Expenses—Note 8	<u>31,633,688</u>
	Income From Operations 8,973,156
Other Income (Expenses)	
Interest and dividend income—Note 2	1,669,248
Gain on sale of property and equipment	15,423
Settlement award	(250,000)
Other franchise-related income	129,067
Other income	1,107,174
	<u>1,107,174</u>
Total Other Income	2,670,912
Nonoperating Activities	
Investment return, net—Note 2	765,669
	<u>765,669</u>
Total Nonoperating Activities	765,669
	Income Before Income Taxes 12,409,737
Provision for Income Taxes—Note 9	
Current	3,390,000
Deferred	13,000
	<u>13,000</u>
Total Provision for Income Taxes	3,403,000
	Net Income \$ 9,006,737

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2023

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at Beginning of Year	\$ 3,222,679	\$ 60,383,797	\$ 63,606,476
Dividends paid		(262,000)	(262,000)
Net income		9,006,737	9,006,737
Balance at End of Year	<u>\$ 3,222,679</u>	<u>\$ 69,128,534</u>	<u>\$ 72,351,213</u>

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows from Operating Activities

Net income	\$ 9,006,737
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,001,327
Non-cash lease expenses	5,165,760
Gain on sale of property and equipment	(15,423)
Investment losses	(765,669)
Changes in assets and liabilities:	
Accounts receivable	(705,481)
Accounts receivable, affiliate	155,219
Due from employees, current portion	58,986
Notes receivable, current portion	2,271,026
Inventory	(287,472)
Prepaid expenses	(314,309)
Prepaid income taxes	(710,800)
Deferred income taxes	13,000
Deposits	(19,729)
Accounts payable, trade	(796,776)
Accounts payable, affiliate	922,063
Accrued expenses and other current liabilities	369,737
Franchisees' impounds	(48,789)
Security deposits	(95,000)
Operating lease liability	(5,451,367)
Net Cash Provided by Operating Activities	10,753,040

Cash Flows from Investing Activities

Purchase of marketable securities	2,362,921
Purchase of property and equipment	(3,256,750)
Net Cash Used in Investing Activities	(893,829)

Cash Flows from Financing Activities

Dividends paid	(262,000)
Net Cash Used in Financing Activities	(262,000)

Net Increase in Cash and Cash Equivalents 9,597,211

Cash and Cash Equivalents at Beginning of Year 6,123,042

Cash and Cash Equivalents at End of Year \$ 15,720,253

Supplemental Disclosures

Interest paid	\$
Income taxes paid	<u><u>\$ 4,100,800</u></u>

See notes to financial statements.

Note 1—Organization and Summary of Significant Accounting Policies

Organization and Business—Yum Yum Donut Shops, Inc. (the Company) is engaged in both the franchising of retail donut shops and the operation of Company run donut shops. Franchisees operate 105 of its 157 stores. Under the terms of the franchise agreements, the Company is entitled to a royalty fee of up to 5% of the franchisees' net sales. Additionally, the Company has subleased facilities (see Note 7) and leased store equipment to the franchisees on a month-to-month basis. Royalty income and facility and equipment rental is reflected in franchise revenues in the accompanying statement of operations.

The Company also operates two Win Win retail store locations using a mixed-use retail combination which may include a gas station, convenience store, deli, and donut shop.

Basis of Accounting—The financial statements of the Company are presented on the accrual basis of accounting.

Accounting Period—The Company's fiscal year is the 52-week or 53-week period ending the Wednesday nearest December 31. Reference to the year ended December 31, 2023 in these financial statements is to the 52-week year ended December 27, 2023.

Income Taxes—In 2013, the Company elected to be treated as a C Corporation for federal and California income tax purposes. Generally, the Company's tax returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—For purposes of the statement of cash flows, cash equivalents include time certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Investments—Investments in securities are recorded at cost and consist of money market funds, bonds and securities. Subsequent to acquisition, investments in securities are reported at fair value. Realized gains and losses are reported on the basis of first-in, first-out. Unrealized gains and losses are reported as a separate component the income statement. Interest and dividend income earned on investments is recognized when received and is reported in the statement of operations under the same caption.

Fair Value of Financial Instruments—The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value because of the short maturities of these instruments.

Accounts Receivable—Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables with consideration to a customer's financial condition, credit history and current economic conditions. Management believes that accounts receivable as of December 31, 2023 are fully collectible, and the Company has therefore not recorded an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible.

Inventory—Inventory consists of baking products and convenience store products. Accounting standards require inventories measured under any methods other than last-in, first-out ("LIFO") or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market. The Company utilizes the LIFO method to measure inventory.

Deferred Income Taxes—Temporary differences giving rise to the deferred income taxes consist primarily of the excess of depreciation for tax purposes of the amount for financial reporting purposes, various accruals for vacation and workers' compensation insurance reserves, and bad debt expense accounted for differently for financial reporting and tax purposes.

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Property and Equipment—Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives of 5 to 40 years or the life of the lease in the case of leasehold improvements.

Employee Loans—The Company provides limited loans to employees at rates ranging from five to seven percent, with maturities up to five years.

Concentrations of Credit Risk—Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments, and receivables.

The Company maintains its cash and cash equivalents at high-credit quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may exceed federally insured limits. Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk relative to its cash and cash equivalents accounts.

Cash held in investment accounts at securities brokerage firms is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian, it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While the Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Company's management has assessed the credit risk associated with its cash deposits and investments at December 31, 2023 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 10), the potential related impact cannot be reasonably estimated at this time.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities composing the Company's customer base.

Revenue Recognition—The Company has three primary sources of revenue: sales revenue, rental revenue, and royalty revenue. The Company owns and operates retail donut shops, and recognizes related sales revenue when earned. Rental income is derived from subleased facilities and leased store equipment. Rental revenue related to rental income is recognized as earned. Franchisees are charged a royalty fee up to 5% of net sales for each location, commencing upon execution of the franchise agreement and the opening of the franchise locations for business. Revenue relating to royalty payments is recognized as earned.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$120,763 for the year ended December 31, 2023.

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

Note 2—Fair Value Measurements and Investments

In determining the fair value of investments, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

The Company may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Company to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Company had no assets or liabilities classified at NAV as a practical expedient during the year ended December 31, 2023.

Fair values of assets measured on a recurring basis at December 31, 2023 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 8,360,235	\$ 8,360,235	\$	\$
Bonds	988,406	988,406		
Totals	<u><u>\$ 9,348,641</u></u>	<u><u>\$ 9,348,641</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

Investment activity for the year ended December 31, 2023 is as follows:

Investment gains	\$ 765,669
Investment Return, Net	765,669
Interest and dividend income	1,669,248
Total Return on Investments	<u><u>\$ 2,434,917</u></u>

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 3—Notes Receivable

Notes receivable comprise the following as of December 31, 2023:

Notes receivable—franchisees, due in varying weekly installments through 2029, bearing interest from 3% to 10%	\$ 719,308
Notes receivable—related parties, due through 2049, bearing interest from 1.80% to 4.15% (See Note 6)	11,144,920
Total Notes Receivable	11,864,228
Less current portion	(550,736)
Notes Receivable, Long-Term Portion	<u>\$ 11,313,492</u>

Note 4—Inventory

Inventory activity for the year ended December 31, 2023 is as follows:

Beginning inventory	\$ 281,703
Purchases	59,452,269
Cost of sales	(59,164,797)
Ending Inventory	<u>\$ 569,175</u>

Note 5—Property and Equipment

Property and equipment at December 31, 2023 consists of the following:

Land	\$ 10,535,816
Buildings	7,383,839
Equipment	15,554,815
Furniture and fixtures	4,216,754
Transportation equipment	1,627,405
Leasehold improvements	11,432,241
Computer software	162,703
Construction in progress	1,186,696
Total Property and Equipment	52,100,269
Less accumulated depreciation and amortization	(20,365,751)
Property and Equipment, Net	<u>\$ 31,734,518</u>

Depreciation and amortization for the year ended December 31, 2023 amounted to \$2,001,327.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 6—Related Party Transactions

The Company entered into an agreement with a corporation (the "Affiliate") which is owned by the same shareholders of the Company. Some of the Company's officers, directors and shareholders are officers, directors, and shareholders of the Affiliate. Purchases of inventory from the Affiliate during 2023 totaled \$21,879,197. In return, the Affiliate agreed to support the Company's advertising and promotional programs through contributions and product discounts, which are negotiable as agreed upon by both parties. Accounts receivable from and accounts payable to the Affiliate at December 31, 2023 totaled \$49,907 and \$1,180,962, respectively.

During the year ended December 31, 2023, the Company earned and accrued \$421,315 in interest from related parties.

For the year ended December 31, 2023, the Company has the following notes receivables from a shareholder and affiliated companies (See Note 3):

Unsecured note receivable—shareholder, bearing interest rate of 6.00%, requiring monthly principal and interest payments, due February 1, 2029	\$ 777,946
Unsecured note receivable—affiliate, bearing interest rate of 3.25%, requiring annual interest-only payments, due March 31, 2030	1,762,500
Unsecured note receivable—affiliate, bearing interest rate of 4.15%, requiring monthly principal and interest payments, due June 1, 2032	8,336,077
Unsecured note receivable—affiliate, bearing interest rate of 2.87%, requiring monthly principal and interest payments, due April 1, 2049	<u>268,397</u>
Total	<u>\$ 11,144,920</u>

Rent of \$225 per month from a subleased donut shop is paid to a stockholder. This rental expense amounted to \$2,696 during the year ended December 31, 2023.

In September 2007, the Company purchased a 50% ownership in a building with a corporation ("Co-Owner") which is 100% owned by stockholders of the Company. The Company and Co-Owner share income and expenses equally. Accounts payable due to Co-Owner at December 31, 2023 is \$706,480.

Note 7—Operating Lease Liability

The Company has obligations relating to noncancelable operating leases for its retail donut shop facilities. These leases have initial periods ranging from 5 to 25 years. Lease payments also include, in most instances, property taxes, insurance, repairs and maintenance, and additional rentals at varying percentages of sales if such amounts exceed minimum rentals. In addition, certain of the leases are subject to periodic cost-of-living adjustments and may have renewal options that range from 5 to 10 years.

During the year ended December 31, 2023, the Company amortized the operating lease right-of-use asset for \$5,165,760 and the operating lease liability for \$5,056,322 relating to these operating leases, using the lease term and monthly rental amounts, and a discount rate of 2.96%. At December 31, 2023, the operating right-of-use asset and the related liability amounted to \$21,339,351 and \$22,929,793, respectively.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 7—Operating Lease Liability—Continued

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>		
2024		\$ 6,324,376
2025		4,860,315
2026		4,069,498
2027		3,353,399
2028		2,253,977
Thereafter		<u>6,240,493</u>
	Gross Lease Payments	27,102,058
Less effect of discounting		<u>(4,172,265)</u>
	Total Operating Lease Liability	22,929,793
Less current portion		<u>(5,056,322)</u>
	Total Operating Lease Liability, Noncurrent	<u>\$ 17,873,471</u>

The Company has sublet certain of its leased facilities to third parties under substantially similar terms to the Company's lease obligations. Total minimum rentals to be received in the future under noncancelable subleases were approximately \$70,140 at December 31, 2023.

Net rent expense included in the accompanying financial statements totaled \$8,507,888 during the year ended December 31, 2023.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 8—Operating Expenses

Operating expenses for the year ended December 31, 2023 consist of the following:

Advertising	\$ 120,763
Automobile	496,547
Bad debt expense	172,882
Bank and credit card charges	1,277,658
Commission expense	485,091
Depreciation and amortization	2,001,327
Donations	5,150
Dues and subscriptions	259,933
Equipment	193,723
Insurance	1,781,209
Lease expense	15,839
Meals, entertainment, and travel	162,518
Miscellaneous expense	39,784
Office expenses	219,193
Office supplies	363,333
Outside contractors	788,360
Payroll	6,564,592
Payroll taxes	2,552,236
Professional fees and services	366,452
Rent	8,507,888
Repairs and maintenance	1,516,301
Taxes and licenses	632,332
Telephone	349,282
Uniforms	141,871
Utilities	2,619,424
Total Operating Expenses	<u>\$ 31,633,688</u>

Note 9—Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2023 is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 2,350,000	\$ 1,040,000	\$ 3,390,000
Deferred	9,000	4,000	13,000
Totals	<u>\$ 2,359,000</u>	<u>\$ 1,044,000</u>	<u>\$ 3,403,000</u>

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 10—Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, the Company maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

Note 11—Subsequent Events

Management evaluated all activities of Yum Yum Donut Shops, Inc. through April 8, 2024, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

Audited Financial Statements



December 31, 2022

Quigley & Miron

Yum Yum Donut Shops, Inc.
Audited Financial Statements
Table of Contents
December 31, 2022

	Page Number
Independent Auditor's Report.....	1
Audited Financial Statements	
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Changes in Stockholders' Equity.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

Quigley & Miron

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Yum Yum Donut Shops, Inc.
City of Industry, California

Opinion

We have audited the financial statements of Yum Yum Donut Shops, Inc. (Company), a California C corporation, which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the year 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 the Company as of December 31, 2022, 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date 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 assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Los Angeles, California
April 6, 2023

Yum Yum Donut Shops, Inc.
Balance Sheet
December 31, 2022

Assets

Current Assets

Cash and cash equivalents	\$	6,123,042
Marketable securities—Note 2		10,945,893
Accounts receivable		1,559,047
Accounts receivable, affiliate—Note 6		205,126
Due from employees, current portion		52,859
Notes receivable, current portion—Note 3		586,560
Inventory—Note 4		281,703
Prepaid expenses		927,070
Prepaid income taxes—Note 9		528,911
Deferred income taxes		213,000
Deposits		730,603

Total Current Assets 22,153,814

Noncurrent Assets

Property and equipment, net of accumulated depreciation and amortization		
in the amount of \$19,183,437—Note 5		30,463,672
Operating lease right-of-use asset—Note 7		26,505,111
Due from employees, net of current portion		1,618,382
Notes receivable, net of current portion—Note 3		13,548,694
Deposits		4,966,003

Total Noncurrent Assets 77,101,862

Total Assets \$ 99,255,676

Liabilities and Stockholders' Equity

Current Liabilities

Accounts payable, trade	\$	2,020,910
Accounts payable, affiliate—Note 6		258,863
Accrued expenses and other current liabilities		2,789,315
Franchisees' impounds		984,782
Operating lease liability, current—Note 7		5,451,366

Total Current Liabilities 11,505,236

Noncurrent Liabilities

Deferred income taxes, noncurrent		16,000
Security deposits		1,198,170
Operating lease liability—Note 7		22,929,794

Total Noncurrent Liabilities 24,143,964

Total Liabilities 35,649,200

Commitments and Contingencies—Note 7

Stockholders' Equity

Common stock, no par value; 10,000 shares authorized; 4,000 shares issued and outstanding		3,222,679
Retained earnings		60,383,797

Total Stockholders' Equity 63,606,476

Total Liabilities and Stockholders' Equity \$ 99,255,676

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Operations
Year Ended December 31, 2022

Revenues		
Net sales	\$	65,842,118
Franchise revenues		
Royalty revenue		4,583,428
Rental revenue		12,171,067
	Total Revenues	82,596,613
Cost of Sales—Note 4		47,895,433
	Gross Profit	34,701,180
Operating Expenses—Note 8		29,150,959
	Income From Operations	5,550,221
Other Income (Expenses)		
Interest and dividend income		1,250,340
Interest expense to Affiliate—Note 6		(111)
Loss on sale of property and equipment		(4,748)
Settlement award		(550,000)
Other franchise-related income		243,770
Other income		1,352,378
	Total Other Income	2,291,629
Nonoperating Activities		
Investment return, net—Note 2		(1,780,935)
	Total Nonoperating Activities	(1,780,935)
	Income Before Income Taxes	6,060,915
Provision for Income Taxes—Note 9		
Current		1,864,000
Deferred		(36,000)
	Total Provision for Income Taxes	1,828,000
	Net Income	\$ 4,232,915

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2022

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at Beginning of Year, as Previously Reported	\$ 3,222,679	\$ 58,401,160	\$ 61,623,839
Cumulative effect of adoption of ASU 2016-02, Leases (Topic 842)		(2,200,278)	(2,200,278)
Balance at Beginning of Year, as Restated	3,222,679	56,200,882	59,423,561
Dividends paid		(50,000)	(50,000)
Net income		4,232,915	4,232,915
Balance at End of Year	<u>\$ 3,222,679</u>	<u>\$ 60,383,797</u>	<u>\$ 63,606,476</u>

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows from Operating Activities

Net income	\$ 4,232,915
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,877,133
Non-cash lease expenses	4,836,301
Loss on sale of property and equipment	4,748
Investment losses	1,780,935
Changes in assets and liabilities:	
Accounts receivable	(283,400)
Accounts receivable, affiliate	(53,433)
Due from employees, current portion	(1,031,553)
Notes receivable, current portion	(755,876)
Inventory	(16,277)
Prepaid expenses	172,415
Prepaid income taxes	231,385
Deferred income taxes	(36,000)
Deposits	(4,114)
Accounts payable, trade	58,109
Accounts payable, affiliate	(118,054)
Accrued expenses and other current liabilities	68,003
Franchisees' impounds	510,966
Security deposits	(25,000)
Operating lease liability	(5,160,528)
Net Cash Provided by Operating Activities	6,288,675

Cash Flows from Investing Activities

Purchase of marketable securities	9,411,990
Proceeds from sale of marketable securities	(7,264,367)
Purchase of property and equipment	(4,960,898)
Net Cash Used in Investing Activities	(2,813,275)

Cash Flows from Financing Activities

Loan payable, other proceeds	(15,429)
Dividends paid	(50,000)
Net Cash Used in Financing Activities	(65,429)

Net Increase in Cash and Cash Equivalents **3,409,971**

Cash and Cash Equivalents at Beginning of Year

2,713,071

Cash and Cash Equivalents at End of Year **\$ 6,123,042**

Supplemental Disclosures

Interest paid	\$ 111
Income taxes paid	\$ 2,516,000

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements
December 31, 2022

Note 1—Organization and Summary of Significant Accounting Policies

Organization and Business—Yum Yum Donut Shops, Inc. (the Company) is engaged in both the franchising of retail donut shops and the operation of Company run donut shops. Franchisees operate 105 of its 156 stores. Under the terms of the franchise agreements, the Company is entitled to a royalty fee of up to 5% of the franchisees' net sales. Additionally, the Company has subleased facilities (see Note 7) and leased store equipment to the franchisees on a month-to-month basis. Royalty income and facility and equipment rental is reflected in franchise revenues in the accompanying statement of operations.

The Company also operates two Win Win retail store locations using a mixed-use retail combination which may include a gas station, convenience store, deli, and donut shop.

Basis of Accounting—The financial statements of the Company are presented on the accrual basis of accounting.

Accounting Period—The Company's fiscal year is the 52-week or 53-week period ending the Wednesday nearest December 31. Reference to the year ended December 31, 2022 in these financial statements is to the 52-week year ended December 28, 2022.

Income Taxes—In 2013, the Company elected to be treated as a C Corporation for federal and California income tax purposes. Generally, the Company's tax returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—For purposes of the statement of cash flows, cash equivalents include time certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Investments—Investments in securities are recorded at cost and consist of money market funds, bonds and securities. Subsequent to acquisition, investments in securities are reported at fair value. Realized gains and losses are reported on the basis of first-in, first-out. Unrealized gains and losses are reported as a separate component the income statement. Interest and dividend income earned on investments is recognized when received and is reported in the statement of operations under the same caption.

Fair Value of Financial Instruments—The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value because of the short maturities of these instruments.

Accounts Receivable—Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables with consideration to a customer's financial condition, credit history and current economic conditions. Management believes that accounts receivable as of December 31, 2022 are fully collectible, and the Company has therefore not recorded an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible.

Inventory—Inventory consists of baking products and convenience store products. Accounting standards require inventories measured under any methods other than last-in, first-out ("LIFO") or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market. The Company utilizes the LIFO method to measure inventory.

Deferred Income Taxes—Temporary differences giving rise to the deferred income taxes consist primarily of the excess of depreciation for tax purposes of the amount for financial reporting purposes, various accruals for vacation and workers' compensation insurance reserves, and bad debt expense accounted for differently for financial reporting and tax purposes.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Property and Equipment—Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives of 5 to 40 years or the life of the lease in the case of leasehold improvements.

Employee Loans—The Company provides limited loans to employees at rates ranging from five to seven percent, with maturities up to five years.

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842) – Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. The Company adopted ASU 2016-02 and its related amendments on a retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$31,341,411, as well as an operating lease liability totaling \$33,541,689. The Company elected to adopt the transition relief provisions from ASU 2018-11 as of January 1, 2022, without restating any prior year amounts or disclosures.

Concentrations of Credit Risk—Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents and receivables. The Company maintains its cash and cash equivalents at high-credit quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may exceed federally insured limits. Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk relative to its cash and cash equivalents accounts.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities composing the Company's customer base.

Revenue Recognition—The Company has three primary sources of revenue: sales revenue, rental revenue, and royalty revenue. The Company owns and operates retail donut shops, and recognizes related sales revenue when earned. Rental income is derived from subleased facilities and leased store equipment. Rental revenue related to rental income is recognized as earned. Franchisees are charged a royalty fee up to 5% of net sales for each location, commencing upon execution of the franchise agreement and the opening of the franchise locations for business. Revenue relating to royalty payments is recognized as earned.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$78,733 for the year ended December 31, 2022.

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

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 2—Fair Value Measurements and Investments

In determining the fair value of investments, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

The Company utilizes a practical expedient, Net Asset Value (NAV) per share (or its equivalent) for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Fair values of assets measured on a recurring basis at December 31, 2022 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 6,123,042	\$ 6,123,042	\$	\$
Money market mutual funds	9,958,168		9,958,168	
Investments in securities	987,725	987,725		
Totals	\$ 17,068,935	\$ 7,110,767	\$ 9,958,168	\$

Investment activity for the year ended December 31, 2022 is as follows:

Investment losses	\$ (1,780,935)
Investment Return, Net	(1,780,935)
Interest and dividend income	1,250,340
Total Return on Investments	\$ (530,595)

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 3—Notes Receivable

Notes receivable comprise the following as of December 31, 2022:

Notes receivable—franchisees, due in varying weekly installments through 2029, bearing interest from 3% to 10%	\$ 924,362
Notes receivable—related parties, due through 2049, bearing interest from 1.80% to 4.15%	11,370,892
Notes receivable—other, due November 2024, bearing 6% interest	<u>1,840,000</u>
Total Notes Receivable	14,135,254
Less current portion	<u>(586,560)</u>
Notes Receivable, Long-Term Portion	<u>\$ 13,548,694</u>

Note 4—Inventory

Inventory activity for the year ended December 31, 2022 is as follows:

Beginning inventory	\$ 265,426
Purchases	47,911,710
Cost of sales	<u>(47,895,433)</u>
Ending Inventory	<u>\$ 281,703</u>

Note 5—Property and Equipment

Property and equipment at December 31, 2022 consists of the following:

Land	\$ 10,145,816
Buildings	6,798,839
Equipment	14,512,056
Furniture and fixtures	3,853,572
Transportation equipment	1,430,589
Leasehold improvements	6,062,647
Computer software	141,558
Construction in progress	<u>6,702,032</u>
Total Property and Equipment	49,647,109
Less accumulated depreciation and amortization	<u>(19,183,437)</u>
Property and Equipment, Net	<u>\$ 30,463,672</u>

Depreciation and amortization for the year ended December 31, 2022 amounted to \$1,877,133.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 6—Related Party Transactions

The Company entered into an agreement with a corporation (the "Affiliate") which is owned by the same shareholders of the Company. Some of the Company's officers, directors and shareholders are officers, directors, and shareholders of the Affiliate. Purchases of inventory from the Affiliate during 2022 totaled \$19,382,841. In return, the Affiliate agreed to support the Company's advertising and promotional programs through contributions and product discounts, which are negotiable as agreed upon by both parties. Accounts receivable from and accounts payable to the Affiliate at December 31, 2022 totaled \$308,975 and \$1,216,746, respectively.

During the year ended December 31, 2022, the Company earned and accrued \$477,493 in interest from related parties.

For the year ended December 31, 2022, the Company has the following notes receivables from a shareholder and affiliated companies:

Unsecured note receivable—shareholder, bearing interest rate of 6.00%, requiring monthly principal and interest payments, due February 1, 2029	\$ 845,295
Unsecured note receivable—affiliate, bearing interest rate of 3.25%, requiring annual interest-only payments, due March 31, 2030	1,762,500
Unsecured note receivable—affiliate, bearing interest rate of 4.15%, requiring monthly principal and interest payments, due June 1, 2032	8,487,488
Unsecured note receivable—affiliate, bearing interest rate of 2.87%, requiring monthly principal and interest payments, due April 1, 2049	275,609
Total	<u>\$ 11,370,892</u>

Rent of \$225 per month from a subleased donut shop is paid to a stockholder. This rental expense amounted to \$2,696 during the year ended December 31, 2022.

In September 2007, the Company purchased a 50% ownership in a building with a corporation ("Co-Owner") which is 100% owned by stockholders of the Company. The Company and Co-Owner share income and expenses equally. Accounts payable due to Co-Owner at December 31, 2022 is \$132,175.

Note 7—Commitments and Contingencies

The Company has obligations relating to noncancelable operating leases for its retail donut shop facilities. These leases have initial periods ranging from 5 to 25 years. Lease payments also include, in most instances, property taxes, insurance, repairs and maintenance, and additional rentals at varying percentages of sales if such amounts exceed minimum rentals. In addition, certain of the leases are subject to periodic cost-of-living adjustments and may have renewal options that range from 5 to 10 years.

During the year ended December 31, 2021, rent expense was recorded on a straight-line basis over the lease term. The cumulative difference between the actual payments and the straight-line office lease expense is recorded as a deferred rent liability on the statements of financial position.

At December 31, 2022, as required by the adoption of ASU 2016-02, the Company recorded an operating lease right-of-use asset of \$26,505,111 and an operating lease liability of \$28,381,160 relating to these operating leases, using the lease term and monthly rental amounts, and a discount rate of 2.96%.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 7—Commitments and Contingencies—Continued

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>		
2023	\$	7,474,807
2024		6,324,376
2025		4,860,315
2026		4,069,498
2027		3,353,399
Thereafter		8,494,470
	Gross Lease Payments	34,576,865
Less effect of discounting		(6,195,705)
	Total Operating Lease Liability	28,381,160
Less current portion		(5,451,366)
	Total Operating Lease Liability, Noncurrent	\$ 22,929,794

The Company has sublet certain of its leased facilities to third parties under substantially similar terms to the Company's lease obligations. Total minimum rentals to be received in the future under noncancelable subleases were approximately \$140,280 at December 31, 2022.

Net rent expense included in the accompanying financial statements totaled \$8,178,527 during the year ended December 31, 2022.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 8—Operating Expenses

Operating expenses for the year ended December 31, 2022 consist of the following:

Advertising	\$ 78,733
Automobile	537,609
Bad debt expense	25,693
Bank and credit card charges	1,050,395
Commission expense	453,777
Depreciation and amortization	1,877,133
Donations	6,500
Dues and subscriptions	219,047
Equipment	133,305
Insurance	1,834,754
Lease expense	16,556
Meals, entertainment, and travel	79,984
Miscellaneous expense	94,509
Office expenses	310,198
Office supplies	267,079
Outside contractors	966,577
Payroll	5,831,009
Payroll taxes	2,187,517
Professional fees and services	643,402
Rent	8,178,527
Repairs and maintenance	1,228,879
Taxes and licenses	535,755
Telephone	103,804
Uniforms	140,866
Utilities	2,349,351
Total Operating Expenses	<u>\$ 29,150,959</u>

Note 9—Provision for Income Taxes

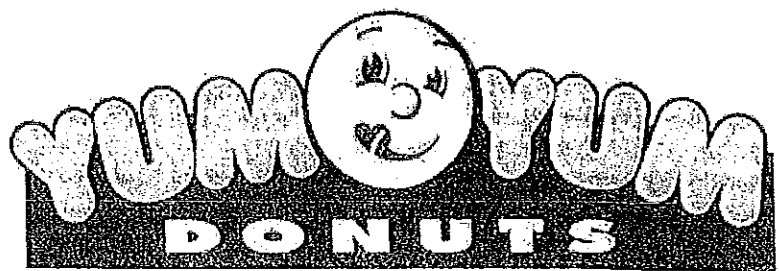
The provision for income taxes for the year ended December 31, 2022 is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 1,251,000	\$ 613,000	\$ 1,864,000
Deferred	(26,000)	(10,000)	(36,000)
Totals	<u>\$ 1,225,000</u>	<u>\$ 603,000</u>	<u>\$ 1,828,000</u>

Note 10—Subsequent Events

Management evaluated all activities of Yum Yum Donut Shops, Inc. through April 6, 2023, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

Audited Financial Statements



December 31, 2021

Quigley & Miron

Yum Yum Donut Shops, Inc.
Audited Financial Statements
Table of Contents
December 31, 2021

	<u>Page Number</u>
Independent Auditor's Report.....	1
Audited Financial Statements	
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Changes in Stockholders' Equity.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

Quigley & Miron

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Yum Yum Donut Shops, Inc.
City of Industry, California

Opinion

We have audited the financial statements of Yum Yum Donut Shops, Inc. (Company), a California C corporation, which comprise the balance sheet as of December 31, 2021, and the related statements of operations, changes in stockholders' equity, and cash flows for the year 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 the Company as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date 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 assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Los Angeles, California
April 12, 2022

Yum Yum Donut Shops, Inc.
Balance Sheet
December 31, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 2,713,071
Marketable securities—Note 2	14,874,451
Accounts receivable	1,275,647
Accounts receivable, affiliate—Note 7	151,693
Due from employees, current portion	56,699
Notes receivable, current portion—Note 3	331,003
Inventory—Note 4	265,426
Prepaid expenses	1,099,485
Prepaid income taxes	760,296
Deferred income taxes, current	206,000
Deposits	730,603

Total Current Assets 22,464,374

Noncurrent Assets

Property and equipment, net—Note 5	27,384,655
------------------------------------	------------

Other Assets

Due from employees, net of current portion	582,989
Notes receivable, net of current portion—Note 3	13,048,375
Deposits	4,961,889

Total Noncurrent and Other Assets 45,977,908

Total Assets \$ 68,442,282

Liabilities and Stockholders' Equity

Current Liabilities

Loan payable, other—Note 6	\$ 15,429
Accounts payable, trade	1,962,801
Accounts payable, affiliate—Note 7	376,917
Accrued expenses and other current liabilities	2,721,312
Franchisees' impounds	473,816

Total Current Liabilities 5,550,275

Other Liabilities

Deferred income taxes, noncurrent	45,000
Security deposits	1,223,170

Total Other Liabilities 1,268,170

Total Liabilities 6,818,445

Commitments and Contingencies—Note 8

Stockholders' Equity

Common stock, no par value; 10,000 shares authorized; 4,000 shares issued and outstanding	3,222,679
Retained earnings	58,401,158

Total Stockholders' Equity 61,623,837

Total Liabilities and Stockholders' Equity \$ 68,442,282

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Operations
Year Ended December 31, 2021

Revenues	
Net sales	\$ 57,665,678
Franchise revenues	
Royalty revenue	4,098,610
Rental revenue	11,607,800
Total Revenues	73,372,088
Cost of Sales—Note 4	41,878,757
	Gross Profit 31,493,331
Operating Expenses—Note 9	27,519,162
	Income From Operations 3,974,169
Other Income (Expenses)	
Interest and dividend income	906,252
Interest expense to Affiliate—Note 7	(3,707)
PPP loan forgiveness—Note 10	4,340,048
Loss on sale of property and equipment	(13,136)
Settlement award	(59,988)
Other franchise-related income	109,952
Other income	1,741,895
Total Other Income	7,021,316
Nonoperating Activities	
Investment return, net—Note 2	(168,747)
Total Nonoperating Activities	(168,747)
	Income Before Income Taxes 10,826,738
Provision for Income Taxes—Note 11	2,223,000
	Total Provision for Income Taxes 2,223,000
	Net Income \$ 8,603,738

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2021

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at Beginning of Year	\$ 3,222,679	\$ 49,797,420	\$ 53,020,099
Net income		8,603,738	8,603,738
Balance at End of Year	<u>\$ 3,222,679</u>	<u>\$ 58,401,158</u>	<u>\$ 61,623,837</u>

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Statement of Cash Flows
Year Ended December 31, 2021

Cash Flows from Operating Activities

Net income	\$ 8,603,738
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,763,238
Loss on sale of property and equipment	13,136
Investment losses	168,747
Changes in assets and liabilities:	
Accounts receivable	230,394
Accounts receivable, affiliate	251,366
Due from employees	1,450
Notes receivable	(251,078)
Inventory	(72,873)
Prepaid expenses	(113,955)
Prepaid income taxes	1,165,065
Deferred income taxes, current	61,000
Deposits	(711,222)
Accounts payable, trade	723,194
Accounts payable, affiliate	706,375
Accrued expenses and other current liabilities	454,138
Franchisees' impounds	243,998
Deferred income taxes, noncurrent	10,000
Security deposits	80,000
Net Cash Provided by Operating Activities	13,326,711

Cash Flows from Investing Activities

Purchase of marketable securities	(16,676,274)
Proceeds from sale of marketable securities	11,770,960
Purchase of property and equipment	(6,115,344)
Proceeds from sale of property and equipment	4,000
Net Cash Used in Investing Activities	(11,016,658)

Cash Flows Financing Activities

Loan payable, other	(89,557)
PPP loan forgiveness	(4,340,048)
Net Cash Used in Financing Activities	(4,429,605)

Net Decrease in Cash and Cash Equivalents (2,119,552)

Cash and Cash Equivalents at Beginning of Year

4,832,623

Cash and Cash Equivalents at End of Year \$ 2,713,071

Supplemental Disclosures

Interest paid	\$ 3,707
Income taxes paid	\$ 2,707,000

See notes to financial statements.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements
December 31, 2021

Note 1—Organization and Summary of Significant Accounting Policies

Organization and Business—Yum Yum Donut Shops, Inc. (the Company) is engaged in both the franchising of retail donut shops and the operation of Company run donut shops. Franchisees operate 106 of its 153 stores. Under the terms of the franchise agreements, the Company is entitled to a royalty fee of up to 5% of the franchisees' net sales. Additionally, the Company has subleased facilities (see Note 8) and leased store equipment to the franchisees on a month-to-month basis. Royalty income and facility and equipment rental is reflected in franchise revenues in the accompanying statement of operations.

The Company also operates two Win Win retail store locations using a mixed-use retail combination which may include a gas station, convenience store, deli, and donut shop.

Basis of Accounting—The financial statements of the Company are presented on the accrual basis of accounting.

Accounting Period—The Company's fiscal year is the 52-week or 53-week period ending the Wednesday nearest December 31. Reference to the year ended December 31, 2021 in these financial statements is to the 52-week year ended December 29, 2021.

Income Taxes—In 2013, the Company elected to be treated as a C Corporation for federal and California income tax purposes. Generally, the Company's tax returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—For purposes of the statement of cash flows, cash equivalents include time certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Investments—Investments in securities are recorded at cost and consist of money market funds, bonds and securities. Subsequent to acquisition, investments in securities are reported at fair value. Realized gains and losses are reported on the basis of first-in, first-out. Unrealized gains and losses are reported as a separate component the income statement.

Fair Value of Financial Instruments—The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value because of the short maturities of these instruments.

Accounts Receivable—Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables with consideration to a customer's financial condition, credit history and current economic conditions. Management believes that accounts receivable as of December 31, 2021 are fully collectible, and the Company has therefore not recorded an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible.

Inventory—Inventory consists of baking products and convenience store products. Accounting standards require inventories measured under any methods other than last-in, first-out ("LIFO") or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market. The Company utilizes the LIFO method to measure inventory.

Deferred Income Taxes—Temporary differences giving rise to the deferred income taxes consist primarily of the excess of depreciation for tax purposes of the amount for financial reporting purposes, various accruals for vacation and workers' compensation insurance reserves, and bad debt expense accounted for differently for financial reporting and tax purposes.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Property and Equipment—Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives of 5 to 40 years or the life of the lease in the case of leasehold improvements.

Employee Loans—The Company provides limited loans to employees at rates ranging from five to seven percent, with maturities up to five years.

Concentrations of Credit Risk—Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents and receivables. The Company maintains its cash and cash equivalents at high-credit quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may exceed federally insured limits. Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk relative to its cash and cash equivalents accounts.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities composing the Company's customer base.

Revenue Recognition—The Company has three primary sources of revenue: sales revenue, rental revenue, and royalty revenue. The Company owns and operates retail donut shops, and recognizes related sales revenue when earned. Rental income is derived from subleased facilities and leased store equipment. Rental revenue related to rental income is recognized as earned. Franchisees are charged a royalty fee up to 5% of net sales for each location, commencing upon execution of the franchise agreement and the opening of the franchise locations for business. Revenue relating to royalty payments is recognized as earned.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$53,173 for the year ended December 31, 2021.

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

Note 2—Fair Value Measurements and Investments

In determining the fair value of investments, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 2—Fair Value Measurements and Investments—Continued

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

The Company utilizes a practical expedient, Net Asset Value (NAV) per share (or its equivalent) for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Fair values of assets measured on a recurring basis at December 31, 2021 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 2,713,071	\$ 2,713,071	\$	\$
Money market mutual funds	7,460,523		7,460,523	
Investments in securities	7,413,928	7,413,928		
Totals	\$ 17,587,522	\$ 10,126,999	\$ 7,460,523	\$

Investment activity for the year ended December 31, 2021 is as follows:

Investment losses	\$ (168,747)
Investment Return, Net	(168,747)
Interest and dividend income	906,252
Total Return on Investments	\$ 737,505

Note 3—Notes Receivable

Notes receivable comprise the following as of December 31, 2021:

Notes receivable—franchisees, due in varying weekly installments through 2022, bearing interest from 3% to 10%	\$ 994,362
Notes receivable—related parties, due through 2031, bearing interest from 2.87% to 4.95%	10,545,016
Notes receivable—other, due November 2024, bearing interest of 6%	1,840,000
Total Notes Receivable	13,379,378
Less current portion	(331,003)
Notes Receivable, Long-Term Portion	\$ 13,048,375

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 4—Inventory

Inventory activity for the year ended December 31, 2021 is as follows:

Beginning inventory	\$	192,553
Purchases		41,951,630
Cost of sales		<u>(41,878,757)</u>
Ending Inventory	\$	<u>265,426</u>

Note 5—Property and Equipment

Property and equipment at December 31, 2021 consists of the following:

Land	\$	9,547,316
Buildings		6,347,339
Equipment		13,528,217
Furniture and fixtures		3,476,404
Transportation equipment		1,385,179
Leasehold improvements		5,107,108
Computer software		139,556
Construction in progress		<u>5,396,662</u>
Total Property and Equipment		44,927,781
Less accumulated depreciation and amortization		<u>(17,543,126)</u>
Property and Equipment, Net	\$	<u>27,384,655</u>

Depreciation and amortization for the year ended December 31, 2021 amounted to \$1,763,238.

Note 6—Loan Payable, Other

During the year ended December 31, 2021, the Company had a loan payable in the amount of \$15,429, secured by property, with an interest rate of 5.72%, and maturing March 1, 2022. Long-term debt at December 31, 2021 is as follows:

Total loan payable	\$	15,429
Less current portion		<u>(15,429)</u>
Loan Payable, Long-Term Portion	\$	<u></u>

Future principal payments on long-term debt at December 31, 2021 are as follows:

<u>Year Ending December 31,</u>		
2022	\$	15,429
Total	\$	<u>15,429</u>

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 7—Related Party Transactions

The Company entered into an agreement with a corporation (the "Affiliate") which is owned by the same shareholders of the Company. Some of the Company's officers, directors and shareholders are officers, directors, and shareholders of the Affiliate. Purchases of inventory from the Affiliate during 2021 totaled \$16,036,746. In return, the Affiliate agreed to support the Company's advertising and promotional programs through contributions and product discounts, which are negotiable as agreed upon by both parties. Accounts receivable from and accounts payable to the Affiliate at December 31, 2021 totaled \$151,693 and \$376,917, respectively.

During the year ended December 31, 2021, the Company earned and accrued \$477,868 in interest from related parties.

The Company has unsecured notes receivable from affiliate companies in the aggregate amount of \$10,545,016, with annual interest payment due December 31st (see Note 3). The interest rates are: 3.25% on \$1,762,500 of the principal balance, due March 31, 2030; 4.3% on \$600,000; and 5% on \$200,000. Principal balance payments totaling \$1,762,500 are due on December 31, 2030. The remaining notes receivable balance consists of a related party note receivable of \$282,516 with an interest rate of 2.87%, due April 1, 2049, and a related party note receivable of 8,500,000, with an interest rates of 4.95%, due April 1, 2029.

The Company had entered into an agreement to lease a portion of the Affiliate's facility. Rental expense paid during the year ended December 31, 2021 was \$20,117. The original agreement was amended to a month-to-month basis.

Rent of \$225 per month from a subleased donut shop is paid to a stockholder. This rental expense amounted to \$2,696 during the year ended December 31, 2021.

In September 2007, the Company purchased a 50% ownership in a building with a corporation ("Co-Owner") which is 100% owned by stockholders of the Company. The Company and Co-Owner share income and expenses equally. Accounts receivable to the Co-Owner of \$13,679 at December 31, 2021 are included in accounts payable.

Note 8—Commitments and Contingencies

The Company has obligations relating to noncancelable operating leases for its retail donut shop facilities. These leases have initial periods ranging from 5 to 25 years. Lease payments also include, in most instances, property taxes, insurance, repairs and maintenance, and additional rentals at varying percentages of sales if such amounts exceed minimum rentals. In addition, certain of the leases are subject to periodic cost-of-living adjustments and may have renewal options that range from 5 to 10 years.

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 7,395,181
2023	6,589,321
2024	5,451,850
2025	3,951,658
2026	3,195,404
Thereafter	126,959,735
Total	<u>\$ 153,543,149</u>

The Company has sublet certain of its leased facilities to third parties under substantially similar terms to the Company's lease obligations. Total minimum rentals to be received in the future under noncancelable subleases were approximately \$226,704 at December 31, 2021.

Net rent expense included in the accompanying financial statements totaled \$8,291,079 during the year ended December 31, 2021.

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 9—Operating Expenses

Operating expenses for the year ended December 31, 2021 consist of the following:

Advertising	\$ 53,173
Automobile	424,768
Bad debt expense	12,936
Bank and credit card charges	924,127
Commission expense	538,434
Depreciation and amortization	1,763,238
Donations	83
Dues and subscriptions	144,160
Equipment	167,887
Insurance	1,895,318
Lease expense	17,132
Meals, entertainment, and travel	62,405
Miscellaneous expense	142,253
Office expenses	260,462
Office supplies	227,376
Outside contractors	902,247
Payroll	5,534,750
Payroll taxes	1,985,272
Professional fees and services	577,912
Rent	8,291,079
Repairs and maintenance	915,498
Taxes and licenses	534,061
Telephone	88,489
Uniforms	88,592
Utilities	1,967,510
Total Operating Expenses	\$ 27,519,162

Note 10—PPP Loan Forgiveness

On May 5, 2020, the Company received \$4,340,048 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration (SBA). The funding is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 13) to keep their workers on the payroll. These funds carry loan repayment terms but are subject to forgiveness under the present terms of the PPP. On July 13, 2021, the Company received official notice of forgiveness from the SBA for the full amount. During the year ended December 31, 2021, the Company reported PPP revenue in the statement of activities under PPP loan forgiveness.

Note 11—Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2021 is summarized below:

	Federal	State	Total
Current	\$ 1,297,000	\$ 953,000	\$ 2,250,000
Deferred	(19,000)	(8,000)	(27,000)
Totals	\$ 1,278,000	\$ 945,000	\$ 2,223,000

Yum Yum Donut Shops, Inc.
Notes to Financial Statements—Continued

Note 12—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for private companies, nonprofit organizations, and certain small public companies with annual periods beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Note 13—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Company has continued to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Company, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 14—Subsequent Events

Management evaluated all activities of Yum Yum Donut Shops, Inc. through April 12, 2022, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

EXHIBIT 3
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made on _____, 20____, by and between YUM YUM DONUT SHOPS, INC., a California corporation ("Yum Yum" or "Franchisor"), and _____ ("Franchisee").

RECITALS

1. Yum Yum is the owner in California and the U.S. of the trade name and service marks "Winchell's", "Winchell's Donuts" and "Winchell's Donut House," certain valuable trade practices and all of the designs, recipes, signs, formulae, operating procedures, methods, logotypes, trademarks, service marks, copyrights, manuals, training materials and other items now or hereafter owned, used or provided by Yum Yum (collectively "Trade Practices") in connection with the retail and wholesale sale of donuts, pastries, sandwiches (if permitted by the terms of the underlying master lease), coffee, other beverages and related products.

2. Yum Yum operates directly and also franchises a number of retail sales outlets for the sale of donuts, pastries, coffee, other beverages and related products under the trade names "Winchell's", "Winchell's Donuts" and "Winchell's Donut House," which are operated in accordance with uniform standards of operation, including without limitation, building decor, advertising, sales techniques, and product offerings (collectively "the Winchell's System").

3. Franchisee desires to acquire a franchise to operate a Winchell's Donut Shop and Yum Yum desires to grant Franchisee a franchise to do so on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. **INCORPORATION OF RECITALS**

The recitals set forth above are incorporated by reference into the body of this Agreement.

2. **GRANT OF FRANCHISE**

a. **Grant of License.** Subject to the terms and conditions set forth herein, Yum Yum hereby grants to Franchisee during the term of this Agreement a license to use the Trade Practices described above exclusively in connection with the operation of a Winchell's Donut Shop located at _____. Other assets, such as the building and related fixtures, leasehold improvements, equipment, signs and such other structures and

portion of any drives, sidewalks and parking lots as may be included within Yum Yum's leased premises on which the Winchell's Donut Shop is located, are subleased or leased to Franchisee, under separate month-to-month non-transferrable agreements, such as the Sublease and the Equipment and Leasehold Improvement Lease Agreement. Franchisee thus has no ownership of the capital assets under these agreements.

Nothing contained herein shall be construed to authorize or permit the use by Franchisee of the Trade Practices at any other location or for any other purpose.

b. Restrictions on Use. Franchisee agrees to use the Trade Practices solely in connection with and exclusively for the promotion and conduct of the business of the Winchell's Donut Shop at the authorized location specified above, and at no other location, in accordance with the procedures which may be prescribed by Yum Yum from time to time. Franchisee shall have no authority to use the Trade Practices in connection with any third party ordering platform or food delivery service, including Grubhub, Uber Eats, Doordash, Postmates, or any other third party ordering or delivery platform existing now or in the future, unless approved by Yum Yum under a master service agreement, whereby Franchisee could be required to sign a service contract agreeing to pay service fees related to its Winchell's Donut Shop's sales made through or fulfilled by any such platform. In any such event, menu offerings and maintenance would be determined by Yum Yum. Additionally, Franchisee may not participate in or offer any loyalty rewards program or gift card program, directly or through a third-party vendor. The trade name, service mark, trademarks, copyrights and other identifying marks constituting a part of the Trade Practices shall be used solely in connection with the sale of, and only to identify, products designated by Yum Yum.

c. Rights to Trade Practices. Franchisee acknowledges and agrees that Yum Yum has the sole and exclusive rights to the Trade Practices and that no goodwill associated with any of the Trade Practices shall inure to Franchisee at any time. Franchisee further acknowledges and agrees that many items of the Trade Practices constitute trade secrets of Yum Yum which are revealed to Franchisee in confidence and that Franchisee will not, at any time during the term of this Agreement or at any time thereafter:

- (1) Use or attempt to use the Trade Practices in connection with any entity or business in which Franchisee has an interest, direct or indirect;
- (2) Disclose, duplicate, reveal, sell or sub-license the Trade Practices, or any part thereof, or seek to transfer any rights in the Trade Practices, except as authorized in this Agreement;
- (3) Use the trade names, service marks or trademarks constituting a portion of the Trade Practices, or any name or mark similar to such trade names, service marks or trademarks, as any part of the name of the entity operating

the Franchisee's Winchell's Donut Shop, or as any part of the name of any other entity in which Franchisee now or hereafter has any interest, direct or indirect;

- (4) Establish a website on the internet using any domain name containing the words "Winchell's," "Winchells.com" or any variation thereof. Yum Yum retains the sole right to advertise on the internet and create a website using "Winchell's," "Winchells.com" or related domain names. Franchisee acknowledges that Yum Yum is the owner of all right, title and interest in and to such domain names. Any use of linking or framing between any web pages Franchisee may establish and any other website shall require Yum Yum's prior written approval. Franchisee shall dismantle any frames and links between Franchisee's web pages and any other websites within five (5) days after request therefor by Yum Yum;
- (5) Create, operate or cause to be operated, any website or any area of any website (including without limitation social media such as Facebook, Instagram, Twitter or any future similar types of social or other media) that refers or relates to any Winchell's Donut Shop or any of the Trade Practices, without the prior written consent of Yum Yum; or
- (6) Conduct commerce or directly or indirectly offer or sell any products or services using any website, any other electronic means or medium, or otherwise over the internet (including on social media outlets, including without limitation Facebook, Instagram, Twitter or other similar outlets that may exist in the future), or establish any website or social media presence independently of Yum Yum for such purpose. Franchisee acknowledges and agrees that Yum Yum has the exclusive right to conduct and manage all marketing and commerce on the internet or other electronic medium, including all websites and social media marketing, that involve any use of or reference to any Winchell's Donut Shop, any product or service offered through Yum Yum Donut Shops or any of the Trade Practices.

3. TERM OF FRANCHISE; TERMINATION RIGHT

The initial term of this Agreement shall commence on _____ and shall terminate 30 days thereafter unless sooner terminated or extended as provided in this Agreement. Franchisee and Yum Yum may terminate this Franchise Agreement by mutual agreement at any time, but all accrued monetary obligations and all obligations under paragraphs 20.b, c, d, e and f shall remain in effect.

In the event of termination of this Agreement because the premises specified in Paragraph 2 have been taken, or are threatened to be taken, in a condemnation or similar action, the entire condemnation award, including any award by reason of the value of the business being conducted on the premises, shall be paid to Yum Yum (less such portion which is awarded to the landlord of the premises).

4. EXTENDED TERM

Unless the franchise is terminated by Franchisee and Yum Yum as provided in paragraph 3 above or for any reason provided for in paragraph 19 below, the franchise shall automatically extend from month to month thereafter. When the franchise is renewed, the terms and provisions of the franchise will normally remain the same unless there has been a change due to inflation (a change in the cost of living index). Notwithstanding anything to the contrary, at least one month prior to any renewal period Yum Yum may, at Yum Yum's option, provide Franchisee with the then-current form of this Franchise Agreement, (the "Successor Franchise Agreement"), which may contain terms and conditions materially different from those set forth in this Agreement, including any additional documents, along with written notice to Franchisee that Franchisee may be required to execute such Successor Franchise Agreement and additional documents for the extended or renewed term(s).

5. PAYMENTS TO YUM YUM

In addition to all other payments provided for in this Agreement, Franchisee shall pay to Yum Yum, which Yum Yum may require Franchisee to transfer from Franchisee's bank account to Yum Yum's bank account by pre-authorized irrevocable instruction, promptly when due the following, which payments, except for the payment set forth in Section 5.c, are designated under the accompanying Sublease as "Additional Rent":

- a. Franchise Fee. There is no initial franchise fee.
- b. Royalty Fee. A royalty fee for the use of the Winchell's System and the Trade Practices of a sum equal to five percent (5%) of Franchisee's gross weekly sales, as defined in Section 14.a, payable with the report required by Section 14.b.
- c. Rent. For use of the assets included with the Winchell's Donut Shop business, including but not limited to, building, parking areas, and any common areas or other premises, Franchisee shall pay to Yum Yum weekly, in advance, the amounts required pursuant to the terms and provisions of the non-transferrable Sublease being executed contemporaneously herewith. Premises are leased in an "as is" condition on a month-to-month basis.
- d. Equipment and Improvements. For the use of the furniture, fixtures, leasehold improvements, and equipment located within the Winchell's Donut Shop, Franchisee shall pay to Yum Yum weekly, in advance, the amounts required pursuant to the terms of the non-transferrable Equipment and Leasehold Improvement Lease being executed contemporaneously herewith on a month-to-month basis. All such items are leased in an "as is" condition.

e. Taxes and Insurance. All business, occupation, real property, personal property, sales, use, transfer and other taxes and assessments, and all property and liability insurance relating to or arising from the existence, operation or maintenance of the Winchell's Donut Shop and paid on behalf of Franchisee by Yum Yum. An amount equal to the estimated prorated weekly taxes shall be paid weekly in advance.

f. Advances. All amounts, if any, advanced by Yum Yum or which Yum Yum has paid, or for which Yum Yum has become obligated on behalf of Franchisee at Franchisee's request, but limited by Yum Yum's right of refusal of any such request.

g. Late Charges. Franchisee hereby acknowledges that late payment by Franchisee to Yum Yum of sums due hereunder will cause Yum Yum to incur costs not contemplated by this Agreement, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if the royalty statement required by Paragraph 14b. shall not be received by Yum Yum when due, then Yum Yum may assess a late charge of \$50 per occurrence. If any payment due Yum Yum is not received when due, then Franchisee shall pay Yum Yum a late charge of three (3%) percent of the amount due plus \$15 for any returned check or NSF funds transfer, plus attorney's fees incurred by Yum Yum by reason of Franchisee's failure to pay amounts when due hereunder. In addition, Franchisee shall pay interest on all amounts not paid on the date when due at an annual interest rate of ten percent (10%).

h. Security Deposit. Upon execution hereof, Franchisee shall deposit with Yum Yum the sum of _____ Dollars (\$_____) as a security deposit for the performance by Franchisee of the provisions hereof. The sum of _____ Dollars (\$_____) shall be deposited contemporaneously herewith and the balance of _____ Dollars (\$_____) shall be paid in weekly installments of not less than \$_____ including interest on the unpaid balance at the rate of ten percent (10%) per annum. If Franchisee is in default, Yum Yum can use the security deposit, or any portion of it, to cure the default or to compensate Yum Yum for all damage sustained by Yum Yum resulting from Franchisee's default, either to Yum Yum or a third party. Franchisee shall immediately on demand pay to Yum Yum a sum equal to the portion of the security deposit expended or applied by Yum Yum so as to maintain the security deposit in the sum initially deposited with Yum Yum. If Franchisee is not in default at the expiration or termination hereof, upon verification that all amounts due Yum Yum have been paid, Yum Yum shall return the security deposit to Franchisee. The return of any balance of the security deposit will be when all utility bills have been received and you have reported all final payroll for workers' compensation, but no later than 60 days after termination. Yum Yum shall not be required to pay Franchisee interest on the security deposit, nor segregate such funds from Yum Yum's other assets.

i. Initial Inventory. Yum Yum and Franchisee shall inventory the contents of the store at the commencement of the franchise. Franchisee shall pay Yum Yum for the paper goods, mixes, other foodstuffs and supplies and any disposable utensils and equipment not included in the Equipment

Lease. Disposable utensils and equipment shall be valued at 50% of replacement cost. On termination of the franchise the parties shall inventory the contents of the store and Yum Yum shall pay Franchisee for the same items at the price paid by Franchisee to Yum Yum for the same items. A typical list of small equipment is attached hereto as Exhibit A.

j. Telephone Numbers and Listings. Yum Yum hereby assigns to Franchisee, without additional charges, the telephone numbers and telephone advertising (yellow pages) (if any) for the store. The telephone company may impose a charge for such transfer, which charge will be paid by Franchisee. Franchisee shall not change the telephone number without Yum Yum's prior written approval. Yum Yum warrants all current billings for such items have been paid, and future billings for periods of Yum Yum operation will be paid by Yum Yum. Franchisee shall not terminate, modify or enter into any new agreement relating to pay telephones located outside the store without the prior written consent of Yum Yum. Upon termination or expiration of the franchise the then existing numbers and advertising for the store shall automatically revert to Yum Yum and are hereby assigned to Yum Yum. Franchisee agrees to pay all costs associated with the telephone and advertising during the term of the franchise.

k. Mixes, Supplies, Paper Goods, and Other Items. Yum Yum may enter into an arrangement with its main designated supplier pursuant to which Yum Yum guarantees payment by its Franchisees of invoices for mixes, foodstuffs paper goods and supplies, and in connection with such guarantee Yum Yum agrees to collect from each Franchisee the amounts owed to such distributor. Franchisee shall pay such amounts to Yum Yum, which Yum Yum shall remit to such distributor on behalf of Franchisee.

6. NON-EXCLUSIVE TERRITORY

You acknowledge and agree that the grant of the Franchise to you under this Agreement does not constitute a grant of an exclusive area or territory in which you can operate the Winchell's Donut Shop. We reserve the right to sell, market and/or distribute any goods or services of any kind, including the Yum Yum products, either ourselves or through others, through any retail, wholesale or other channel of distribution.

7. EQUIPMENT AND PREMISES MAINTENANCE

a. Maintenance and Repair. Maintenance and repair of the Winchell's Donut Shop is the sole responsibility of Franchisee. Franchisee shall maintain the Winchell's Donut Shop premises, parking lot, equipment, decor, furnishings, fixtures and all other tangible property in the Winchell's Donut Shop in full working order and good repair and shall replace any of such equipment and fixtures as necessary to satisfy this Section. Replacement equipment and fixtures shall be of the same type and quality as are then being used in Winchell's Donut Shops. All replacement equipment and fixtures shall comply with Yum Yum's requirements and specifications.

Franchisee acknowledges and agrees that it is and shall at all times be Franchisee's sole obligation and responsibility to comply with all applicable federal, state, and local laws, regulations and other governmental requirements, now or hereafter in effect, including without limitation, all requirements relating to disabled persons. Franchisee further acknowledges and agrees that Yum Yum will have no liability or obligation with respect to Franchisee's compliance with the foregoing. If at any time the premises, parking lot, equipment, décor, furnishings, fixtures or other tangible personal property at the Winchell's Donut Shop do not comply with applicable federal, state, or local laws and/or other governmental requirements, Franchisee shall be solely responsible for all costs and expenses associated with compliance with any of the foregoing.

If inspection reveals that the premises, parking lot, equipment, décor, furnishings, fixtures or other tangible personal property at the Winchell's Donut Shop is in need of repair or maintenance and such work is not performed by Franchisee, then Yum Yum may maintain or repair the same as needed and such expense shall be paid by the Franchisee. Franchisee shall have the option to finance the cost of such items as provided in Paragraph 2 of the Equipment Lease, if Yum Yum causes the work to be performed.

b. Signs. All signs to be used in connection with the Winchell's Donut Shop, both exterior and interior, must conform to Winchell's sign criteria as to type, color, design and location and must be approved in writing by Yum Yum prior to replacement, installation or display. All signs must be in working order at all times, including having all lighting fully operational.

If inspection reveals that the signs are in need of repair or maintenance and such work is not performed by Franchisee, then Yum Yum may maintain or repair the same as needed and such expense shall be paid by the Franchisee. Franchisee shall have the option to finance the cost of such items as provided in Paragraph 2 of the Equipment Lease.

c. New Equipment. If Yum Yum determines to add new products on a system-wide basis, and such product(s) require new equipment, Franchisee will be required to purchase or lease such additional equipment.

d. Equipment Financing. If Franchisee is required to replace existing equipment pursuant to subparagraph a. above, or add new equipment pursuant to subparagraph c. above, Franchisee shall have the following options:

- (1) Yum Yum shall buy the new or replacement equipment and add it to the Equipment Lease with an appropriate adjustment in the weekly rental under the Equipment Lease,
- (2) purchase the new or replacement equipment himself, in which event Franchisee may retain title to the new equipment, but at the termination of the Franchise Agreement, Franchisee must deliver to Yum Yum either the old equipment properly repaired or the new equipment, or

- (3) Franchisee purchases the new or replacement equipment, but finances it through a note payable to Yum Yum with interest at 10% per annum, but at the termination of the Franchise Agreement, Franchisee must deliver to Yum Yum either the old equipment properly repaired or the new equipment.

8. METHODS AND STANDARDS OF OPERATIONS

In order to maintain uniform standards of operation of all Winchell's Donut Shops and to protect the goodwill of Yum Yum and the Trade Practices:

a. Relationship of Parties. In all matters pertaining to the operation of the Yum Yum Donut Shop, Franchisee is and shall be an independent business owner and entity, subject only to the standards and other requirements set forth hereinbelow. Neither Franchisee nor any employee of Franchisee shall be deemed to be an employee of Yum Yum. Nothing herein contained shall be construed to create a partnership, joint venture, agency or fiduciary relationship between Franchisee and Yum Yum. Neither party hereto shall be liable for the debts or obligations of the other unless expressly assumed in writing. Any and all agreements made by Franchisee shall be executed in Franchisee's name alone, and shall not purport to be executed by Yum Yum. Franchisee shall not attempt to obligate Yum Yum for any purchases or other obligations of Franchisee. Franchisee shall indicate on all stationery and business cards that he is a Franchisee of Yum Yum, and shall display the following information in a conspicuous place and on all invoices, receipts and public records: "THIS WINCHELL'S DONUT SHOP IS INDEPENDENTLY OWNED AND OPERATED."

b. Standards Established By Yum Yum. Yum Yum shall at all times during the term of this Agreement determine the standards of quality, service, production, merchandising and advertising for the Winchell's Donut Shop. Franchisee shall sell no product, service or other item at the Winchell's Donut Shop other than products approved by Yum Yum. All menu items shall be made in strict compliance with Yum Yum's specifications, recipes and requirements as from time to time prescribed by Yum Yum. Franchisee shall submit to Yum Yum for approval any contemplated menu changes and any additions to or deletions from the items sold in the Winchell's Donut Shop. Franchisee agrees not to make such changes without the prior written consent of Yum Yum.

c. Manuals. The requirements of Yum Yum's confidential operations, food preparation and other manuals shall govern the operation of the Winchell's Donut Shop. Changes in such requirements may be made by Yum Yum from time to time as deemed advisable by Yum Yum. Franchisee agrees to operate the Winchell's Donut Shop in accordance with the standards, specifications and procedures set forth in Yum Yum's Manuals and to comply with any changes in such standards, specifications and procedures as Yum Yum may from time to time prescribe.

d. Alterations. In the event the Winchell's Donut Shop is, at any time, to be altered or remodeled, or additional decorations, fixtures, furniture or equipment are to be installed or substituted,

or signs are to be erected or altered, all of such work shall be subject to the prior written approval of Yum Yum and, when completed, shall conform to plans and specifications approved by Yum Yum. Yum Yum may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with Yum Yum's currently approved plans and specifications. Franchisee acknowledges and agrees that Franchisee, and not Yum Yum, is and shall at all times be responsible for ensuring that all designs, construction documents, plans and specifications, and all construction, alteration, renovation, remodeling, refurbishment and/or additional decorations, fixtures, furniture and equipment complies with all applicable federal, state and local laws, regulations and other governmental requirements, including without limitation, all requirements relating to disabled persons. Franchisee further acknowledges and agrees that Yum Yum will have no liability or obligation with respect to such construction, alteration, renovation, remodeling, refurbishment or refurnishing of the Winchell's Donut Shop by Franchisee, and that Yum Yum's review of any designs, construction documents, plans or specifications shall not constitute an opinion by Yum Yum, nor impose upon Yum Yum any responsibility or liability for the design, construction, alteration, renovation remodeling, refurbishment or refurnishing of the Winchell's Donut Shop. Without limiting the foregoing, Yum Yum may, at its discretion, cause the Winchell's Donut Shop to be altered or remodeled and in that event Yum Yum will pay for such alteration or remodeling and increase the minimum weekly rental as provided in Section 2 of the Equipment Lease Agreement.

e. Interior and Exterior. Franchisee shall at all times keep the interior and exterior of the Winchell's Donut Shop and the surrounding area clean and tidy and shall comply with the requirements of Yum Yum's manuals regarding the maintenance of the Winchell's Donut Shop. Franchisee shall at all times comply with applicable federal, state and local laws and regulations, including without limitation, all orders and regulations of applicable state and local health and safety administrations.

f. Paint. Franchisee shall repair, refinish or repaint the exterior and the interior of the Winchell's Donut Shop at his own expense at such times as reasonably directed by Yum Yum. Franchisee shall remove all graffiti immediately.

g. Hours of Operation. Franchisee shall continuously operate the Winchell's Donut Shop 24 hours per day, 365 days per year. The Winchell's Donut Shop may be closed only on such days and times as Yum Yum may advise Franchisee in writing from time to time.

h. Management. Franchisee will assume responsibility for the day-to-day management of the operation of the Winchell's Donut Shop, and supervision of personnel, accounting and preparation of food products. The Franchisee of the Winchell's Donut Shop shall be required to devote at least forty (40) hours per week to management responsibilities and shall be at the Winchell's Donut Shop during open and operating hours for that amount of time. If franchising more than one Winchell's Donut Shop, Franchisee must appoint another qualified person who has sufficient prior experience managing a donut shop to manage each additional donut shop.

i. Personnel. All personnel employed at the Winchell's Donut Shop are solely and completely the employees of the Franchisee. The Franchisee is solely and completely responsible for compliance with all labor and employment laws for all personnel employed at the Winchell's Donut Shop, including but not limited to laws regarding: the proper payment and timing of wages, medical and family leave, discrimination, harassment, healthcare requirements, employee eligibility, wage statements, employment records and laws related to the Americans with Disabilities Act. All hiring, training, scheduling, and discipline of personnel employed at the Winchell's Donut Shop are solely and completely the responsibility of the Franchisee.

Franchisee at the Winchell's Donut Shop shall maintain such standards of sanitation, cleanliness and demeanor as shall be established by applicable state and local health authorities. Franchisee agrees not to disclose any of the Trade Practices which may be disclosed.

j. Training of Franchisee. Before, on or shortly after opening the Winchell's Donut Shop, unless Franchisee has previously been trained by Yum Yum or through other experience is familiar with management of a donut shop, Yum Yum will train Franchisee at no cost to Franchisee. Franchisee agrees that only persons familiar with management of a donut shop shall have managerial responsibility for the operation of the Winchell's Donut Shop.

k. Additional Training. Should Yum Yum at any time desire that Franchisee receive additional training, Yum Yum will provide such training at no cost to Franchisee.

l. Guest Checks, Cash Registers and Deposits. Franchisee shall record all sales and all revenue on cash registers. Register sales reports must be generated by a Master Register that includes all register activity from any slave register(s). All registers must be connected to and communicate with the Master Register. Cash registers must validate a receipt which will be presented at the time of sale to each customer. Franchisee shall only use cash registers of a cumulative non-resettable type as designated and approved in writing by Yum Yum and shall provide Yum Yum with a key to permit readings of such cash registers at any time, at Yum Yum's discretion. If, for any reason, the Winchell's Donut Shop's cash registers must be repaired, replacement cash registers must be used in their absence, with a beginning non-resettable total recorded. The presence of any register other than the original non-resettable cash registers must have Yum Yum's prior written approval. Yum Yum reserves the right to upgrade the existing cash register with a POS system. Franchisee must maintain a bank account into which Franchisee deposits all cash receipts.

m. Permits and Licenses. Franchisee shall promptly procure and maintain all necessary permits and licenses required for the operation of the Winchell's Donut Shop. Franchisee further agrees to comply with all applicable federal, state and local laws and regulations.

n. Sales. Franchisee shall not, without Yum Yum's written consent, sell, dispense or otherwise provide Yum Yum's products or products bearing Winchell's trademarks, trade names or service marks, except by means of retail sales in or delivered from the Winchell's Donut Shop.

o. Employees of Yum Yum. Franchisee shall not interfere with the employees and agents of Yum Yum in the performance of such employees' and agents' duties.

p. Standard Menu Format. Franchisee may, but need not, purchase menu boards and menu cards from Yum Yum. Franchisee may use a standard menu format, including but not limited to layout, copy, graphics and color scheme, designated by Yum Yum from time to time. If Franchisee chooses not to use the standard menu format designated by Yum Yum, Franchisee must obtain written approval from Yum Yum for the non-standard menu format. Yum Yum will provide Franchisee with suggested menu item price ranges, but all prices appearing on the menu boards and cards shall be set solely by Franchisee.

q. Procedures. Franchisee shall operate the Winchell's Donut Shop in strict compliance with all applicable laws, rules, and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures established by Yum Yum from time to time including, without limitation, payment procedures, hours of operation, design and color of uniforms, size of servings, standards of sanitation, maintenance and repair requirements, cleaning and fire prevention service, and all matters that, in Yum Yum's judgment, require standardization and uniformity in all Winchell's Donut Shops. All costs that may be incurred in order to maintain and implement such standard procedures shall be borne by Franchisee at his sole expense.

r. Uniforms. The Yum Yum uniform program is an important and integral part of the Winchell's Franchise System. All Franchisees and their employees are required to be in uniform while in the store. Franchisee may select attire from our menu of standard uniforms in order to enhance Winchell's uniformity and public appeal. Franchisee shall be entitled to obtain such uniforms and attire from any manufacturer or distributor, so long as the uniforms are of a reasonable quality and comply with Yum Yum's design and other specifications.

s. Vending Machines. No vending machines, amusement devices, juke boxes, video machines or other devices of any nature, whether or not coin operated, shall be installed or used at the Winchell's Donut Shop, unless approved in writing by Yum Yum or unless commonly used throughout the Winchell's chain.

t. ATM and ATM Credit Card Processing Equipment. No ATM or ATM credit card processing equipment shall be installed or used at the Winchell's Donut Shop, unless approved in writing by Yum Yum.

u. Fryer Filters. Yum Yum requires that the fryers be filtered on a daily basis.

v. Non-Discrimination In Operations. Yum Yum does not discriminate and will not allow its franchisee's to discriminate on the basis of race, sex, sexual orientation, disability, national origin, family status, religious beliefs, or age in any of its operations.

w. Accommodation Of Individuals With Disabilities. Winchell's stores are designed to accommodate individuals with disabilities. Franchisees are required to review stores on a daily basis for any barriers to access. Franchisees are required to maintain the accessibility of the store and immediately remove any barriers to access for individuals with disabilities as soon as they are observed or reported, in accordance with the law.

9. SERVICES OF FRANCHISOR

In addition to the services of Yum Yum set forth herein, Yum Yum shall perform the following:

a. Inspections. Yum Yum shall inspect the Winchell's Donut Shop from time to time to enhance uniformity and quality control. Yum Yum's personnel shall have the right to enter the Winchell's Donut Shop at any reasonable time and from time to time for the purpose of examination, conferences with Franchisee, inspection for the operation and testing of the products and items sold in the Winchell's Donut Shop and for purposes in connection with a determination that the Winchell's Donut Shop is being operated in accordance with the terms of this Agreement, Yum Yum's confidential operations and food preparation manuals and other applicable rules. Franchisee specifically authorizes Yum Yum's personnel or representatives to monitor the operation of the cash registers in the Winchell's Donut Shop for such periods of time as Yum Yum may determine to be necessary. Franchisee agrees to remedy any defects, deficiencies or unsatisfactory conditions discovered at the Winchell's Donut Shop by Yum Yum's personnel immediately upon being advised of same.

b. Consultation. Yum Yum shall consult with Franchisee periodically concerning the operation of the Winchell's Donut Shop. This consultation may only be with Franchisee, as Franchisee understands that Yum Yum personnel are not authorized to consult directly with Franchisee's employees.

c. Visits to Headquarters. Franchisee may at any time upon reasonable notice visit our headquarters during normal business hours to discuss your Franchise Operations. Such visits will be at Franchisee's sole expense.

10. SUPPLIES AND FOOD PRODUCTS

a. Purchase of Mix. The dry donut mixes ("Dry Mix"), fillings, icings, hot chocolate and iced and hot cappuccino used in the preparation of Winchell's donuts are unique and their formulae and the process of their manufacture constitute trade secrets. Franchisee shall purchase the Dry Mix and other proprietary items as described in Exhibit B attached hereto and made a part hereof, exclusively from Yum Yum's designated distributor, if any, or from a qualified manufacturer as described in this Section 10.a. Yum Yum may purchase all or some of said items from its qualified manufacturer and resell them to Franchisee at cost plus a nominal amount. In the event Franchisee desires to acquire these products from any source other than Yum Yum's designated distributor, if any, in addition to the conditions set forth in Section 10.f, the following conditions shall be satisfied in full.

- (1) Prior to purchasing Dry Mix, fillings, icings, hot chocolate and/or iced and hot cappuccino from any other source, Yum Yum will send, at Franchisee's expense, a member of Yum Yum's management staff to inspect the proposed supplier's equipment, quality, sanitation, production capacity and other elements pertinent to proper manufacture of the proprietary product;
- (2) In the event Yum Yum in its sole discretion determines the supplier's facilities are suitable, Yum Yum will disclose its formula, expressly provided that the supplier signs a secrecy agreement prohibiting the supplier from disclosing the formula or selling the product made therefrom to any party other than Franchisee. Should a supplier violate the secrecy agreement in any manner, Franchisee agrees not to purchase any proprietary product from that supplier;
- (3) Yum Yum may refuse to disclose its formulas to any supplier if it has reasonable grounds to believe the supplier will not comply with the secrecy agreement or Yum Yum's standards for manufacture of the proprietary products;
- (4) The supplier will be required to purchase and use Yum Yum's proprietary "pre-mix" in manufacturing the proprietary products; the formulas for the pre-mix are trade secrets and Yum Yum shall not be required under any circumstances to disclose such formulas.

b. Right to Use Mix. The right to purchase and use the Dry Mix and other proprietary products listed on Exhibit B attached hereto, is licensed to Franchisee pursuant to this Agreement and such right is restricted to use in the Winchell's Donut Shop and to the term of the franchise.

c. Paper Goods and Containers. Franchisee may purchase all printed paper, paper products, record keeping forms, plastic goods and containers from any source, provided the supplier meets the standards established from time to time by Yum Yum and provided the items to be purchased are in strict accordance with the standard specifications of Yum Yum, and bear the name, trademarks, service marks and text required by Yum Yum.

d. Supplies and Food Products. Franchisee may purchase supplies and food products, including "wet" pastry mixes, and items other than proprietary products listed on Exhibit B attached hereto, from any source, provided the supplier meets the standards established from time to time by Yum Yum and provided that the items to be purchased are in strict accordance with the standard specifications of Yum Yum.

e. Yum Yum's Suggested Suppliers. Yum Yum may suggest suppliers to Franchisee, as an accommodation only to Franchisee. Franchisee shall not be obligated to purchase any items from such sources so long as Franchisee's purchases conform with Yum Yum's standards and requirements.

f. Franchisee's Suppliers. If Franchisee desires to purchase any items or items from any source except an approved Yum Yum supplier, Yum Yum shall test and evaluate such sources with reasonable promptness and shall approve or disapprove such sources based on Yum Yum's tests and evaluations and upon the following conditions:

- (1) Franchisee shall submit a written request to Yum Yum for approval of the supplier;
- (2) The supplier shall demonstrate to Yum Yum's reasonable satisfaction that its facilities and products meet Yum Yum's specifications and standards for such commodity;
- (3) The supplier shall demonstrate to Yum Yum's reasonable satisfaction that the supplier is of good standing in the business community with respect to its financial capabilities and the reliability of its product and service;
- (4) Franchisee shall pay Yum Yum One Hundred Dollars (\$100) per hour of Yum Yum employee time used to test and evaluate alternative suppliers.

Nothing contained herein shall be deemed to require Yum Yum to approve an inordinate number of suppliers of a given item which, in the reasonable judgment of Yum Yum, would prevent effective and economical supervision of suppliers by Yum Yum.

g. Quality Standards. Yum Yum may require Franchisee to discontinue the use or sale of any product or item which, in Yum Yum's opinion, does not conform to the image or quality standards of Yum Yum and its products. If Yum Yum determines that any goods do not meet specifications for quality and freshness, it may require Franchisee to dispose of those items without selling them to the public.

h. Trade Accounts. Franchisee agrees to maintain its trade accounts in a current status and to seek to resolve any disputes with trade suppliers promptly. Failure of Franchisee to keep its trade accounts current shall constitute a default hereunder. Payments due to Yum Yum on behalf of Yum Yum's distributor are included in the trade accounts Franchisee must keep current.

i. Penalty for Improper Food Products or Supplies. In the event Franchisee violates any of the provisions of Sections 10.a., 10.c., 10.d., by purchasing supplies or food products from an unauthorized supplier, then in addition to all other remedies of Yum Yum, Yum Yum may impose a penalty equal to the purchase price of each unauthorized product for each infraction.

11. INSURANCE

a. Fire, Liability, and Similar Coverage. Franchisee agrees to maintain during the term of this Agreement, at Franchisee's sole cost and expense, the greater coverage amounts of either a) insurance coverage as required by Yum Yum's landlord or b) the following insurance coverages:

- (1) Fire and extended coverage insurance with endorsements for vandalism and malicious mischief, covering all buildings, structures, improvements and the contents at the Winchell's Donut Shop, on a full replacement cost basis, insuring against all risks of direct physical loss (including fire legal coverage) except for unusual perils such as nuclear attack, earth movement and war.
- (2) Business interruption insurance and/or any other insurance required by Yum Yum's landlord.
- (3) Bodily injury and property damage comprehensive public liability insurance with a combined single limit coverage of not less than One Million Dollars (\$1,000,000.00) and aggregate limit of not less than Two Million Dollars (\$2,000,000.00);
- (4) Products liability insurance with an aggregate limit of not less than Two Million Dollars (\$2,000,000.00) and each occurrence limit of not less than One Million Dollars (\$1,000,000.00); and

In connection with any refurbishment or remodeling of the Winchell's Donut Shop, Franchisee shall maintain Builder's All Risks Insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, acceptable to Yum Yum. Yum Yum may require franchisee to carry other insurance as Yum Yum reasonably determines.

b. Conditions of Coverage. Yum Yum and Yum Yum's landlord for the Winchell's Donut Shop shall be named as additional insured for each of the above coverages on all of such policies to the extent of their interests and shall be provided with certificates of insurance evidencing such coverage. All public liability and property damage policies shall contain a provision that Yum Yum, and Yum Yum's landlord, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss regardless of the negligence of Franchisee, Yum Yum, their principals, contractors, agents or employees. All policies shall name Yum Yum as loss payee and provide Yum Yum with at least ten (10) days notice of cancellation or termination of coverage. Yum Yum reserves the right to specify reasonable changes in the types and amounts of insurance coverage required by this Section 11. Yum Yum may obtain such coverage for Franchisee, in which event Franchisee agrees to pay the required premiums or to reimburse Yum Yum therefore in the manner provided by Section 5 hereof. Failure to

maintain the required insurance or to promptly reimburse Yum Yum for any premiums paid on behalf of Franchisee by Yum Yum shall constitute a default hereunder.

c. Worker's Compensation and Other Insurance. Franchisee shall maintain, at his sole cost and expense, Worker's Compensation insurance and all other types of insurance required by law. Franchisee shall furnish Yum Yum proof of current insurance coverage and shall require Franchisee's insurer to notify Yum Yum of policy cancellation no later than ten days after the policy is cancelled.

12. ADVERTISING

a. Vendor Promotional Incentives. Franchisee hereby acknowledges that Yum Yum has agreements with Coca Cola USA, Quality Naturally, and others relating to the use of trademarked products and other items. Pursuant to such agreements, Yum Yum receives certain incentive, promotional and other fees based upon the quantities of certain products purchased by Yum Yum, including purchases by Franchisee. Yum Yum shall use all amounts received from such suppliers under such agreements for advertising, promotion, new items of store equipment, and store enhancement programs, services and repairs, and administrative costs.

If Yum Yum shall enter into any such agreements, Franchisee shall sell the products covered by such agreements and, where appropriate, shall not sell competing products and shall comply with the promotional requirements of such agreements.

b. Franchisee's Institutional Advertising. Franchisee shall not engage in any institutional advertising activities directly nor shall he erect or display any sign, material, or notice of any type without the prior written consent of Yum Yum. In the event of a breach of this Section 12, Yum Yum shall have the right to remove any unauthorized material at the expense of Franchisee.

c. In Store Promotional Materials. Yum Yum may require every store to contribute an equal amount, not in excess of \$20 per week to a store promotional fund. This fund shall be used for (i) the purchase of materials to be displayed inside and outside of the stores to promote the sale of products (including posters, banners, and counter cards), (ii) menuboards, and (iii) other forms of advertising including: radio, television, social media, internet advertising, etc. Yum Yum shall administer this fund without charge for overhead or costs.

d. Regional Advertising. At any time during the term of this franchise, Yum Yum shall have the right to designate a geographical area in which the store is located as a "Regional Advertising Market." Upon the designation of such a Regional Advertising Market, Yum Yum shall conduct a vote of all stores located in said geographical area, including Franchisee-operated stores as well as Yum Yum-operated stores, as to whether or not to create a cooperative regional advertising program in said area. Each individual store in said geographical area shall have one vote. Upon a majority vote of all stores casting ballots and located in said geographical area, a Regional Advertising Fund shall be created to which each store in said geographical area shall be obligated to contribute, including the Franchisee herein if his store

shall be situated in said area. The vote to create an initial Regional Advertising Fund shall also set forth the percentage of gross monthly sales to be contributed by each store located in said geographical area. Once a Regional Advertising Fund is established, Yum Yum shall, at any time, be entitled to conduct a vote of all stores located in said geographical area, as to whether or not the regional advertising contribution shall be adjusted and by what percentage of gross monthly sales. Each individual store, located in said geographical area, whether Franchisee-operated or Yum Yum-operated, shall have one vote. Upon a majority vote of all stores casting ballots and located in such geographical area the aforesaid contributions to such Regional Advertising Fund shall be adjusted in accordance with the aforesaid proposal voted upon by the eligible stores voting and such vote shall be binding on Franchisee. The maximum percentage required to be contributed to the Regional Advertising Fund shall be five percent (5%) of monthly gross sales. All contributions to said Regional Advertising Fund shall be paid to the Fund and shall be in addition to all other sums and charges provided for in this Franchise and all contributions for a particular month shall be made to the fund by the twentieth (20th) day of the following month. All stores operated by Yum Yum and located in an area for which there is a Regional Advertising Fund shall contribute to said Fund the same percentage of gross sales as stores operated by franchisees.

13. INDEMNIFICATION

Franchisee agrees to defend at its own cost and to indemnify and hold harmless Yum Yum and its affiliates, and their respective shareholders, directors, officers, employees and agents, from and against any and all losses, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to Franchisee's breach of any of its obligations under this Agreement, the use, condition, equipment, decorating, maintenance or operation of the Winchell's Donut Shop, including the preparation and sale of any product made in or sold from the Winchell's Donut Shop, any labor or other employee related claims of any kind, or Franchisee's construction, alteration, renovation, remodeling, refurbishment or refurnishing of the Winchell's Donut Shop. Such loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Winchell's Donut Shop, whether or not discoverable by Yum Yum, acts or omissions of Franchisee's contractors or arising out of the repair, maintenance or remodeling of the Winchell's Donut Shop and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Yum Yum, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Yum Yum or any of its agents or employees or resulted from any strict liability imposed on Yum Yum or any of its agents or employees.

14. GROSS SALES

a. Definition. The term "gross sales" as used in this Agreement shall mean the total revenues derived by Franchisee in and from the Winchell's Donut Shop from all sales of food, goods, wares, merchandise and all services made in, upon, or from the Winchell's Donut Shop whether for cash, check, credit or otherwise, without reserve or deduction for inability or failure to collect the same, including, without limitation, such sales and services where the orders therefor originate at and are

accepted by Franchisee into the Winchell's Donut Shop but delivery or performance thereof is made for or at any other place or other similar orders received or billed at or from the Winchell's Donut Shop. Gross sales shall not include rebates or refunds to customers or the amount of any sales taxes or other similar taxes that Franchisee may be required to and does collect from customers to be paid to any Federal, state or local taxing authority.

b. Reporting Obligations of Franchisee. Franchisee shall deliver to Yum Yum so that the documents are received by Yum Yum on or before each Thursday, a royalty statement for the week ending the previous day, Wednesday, in the form specified by Yum Yum. If Yum Yum does not receive them by the Thursday following the week ending on Wednesday, Franchisee may be charged late charges of up to \$50 for each violation. Repeated violations shall constitute a Failure to Comply as described in paragraph 19.d. Franchisee shall also deliver to Yum Yum any sales data reasonably requested by Yum Yum in the form, manner and frequency requested.

c. Payment of Royalties. The royalties and fees for each weekly period ending on each Wednesday, shall be paid by Franchisee by cash, check, or funds transfer on or before the Thursday which is eight (8) days after said Wednesday.

d. True Information. Any intentionally false statements in these or any other reports provided to Yum Yum shall be grounds for Yum Yum to terminate this Agreement.

15. RECORDKEEPING AND ACCOUNTING

a. Accounting Procedures. Franchisee shall be solely responsible for performing all record keeping duties and the cost for all such services shall be borne solely by Franchisee. Franchisee shall report sales information to Yum Yum, using its standardized forms, which may be amended or supplemented from time to time.

b. Records and Audits. Franchisee shall maintain and preserve accurate books, records and tax returns, including related supporting material, such as cash register tapes, for the Winchell's Donut Shop for at least five (5) years. In the event of an insurance claim, lawsuit, or if Yum Yum has reason to believe that reported sales information is inaccurate, then such books, records, tax returns and supporting material shall be made available for inspection, examination or audit by Yum Yum. Such examination or audit shall be at Yum Yum's expense unless it is disclosed that any statement of gross sales submitted by Franchisee is understated to the extent of two percent (2%) or more, in which case such expense shall be borne by Franchisee. Franchisee shall also immediately pay Yum Yum any deficiency in royalty fee payments as disclosed by such audit or examination, together with interest at the lesser of fifteen percent (15%) per year or the maximum rate permitted by law.

If Franchisee installs a CCTV system, such system and system data shall be available for inspection, examination or audit by Yum Yum when requested.

c. Surveillance. In addition to the audit rights specified in Section 15.b. above, Yum Yum may install cameras, video transmitters, direct telephone lines, internet service and/or other monitoring devices (i.e. CCTV systems) to verify sales and operations of the Franchisee, including any system to connect cash registers directly to the Yum Yum headquarters to permit Yum Yum to obtain daily sales figures directly. Such system and system data shall be available for inspection, examination or audit by Yum Yum. Franchisee shall be responsible for the cost of the equipment, its operation, including such requirements as internet service, and all maintenance as provided in Section 7.a. above.

d. Returned Checks. Yum Yum shall impose a reasonable charge for processing any checks, drafts or transfers not honored by Franchisee's bank.

16. NO TRANSFER OF FRANCHISE WITHOUT CONSENT

a. Restrictions on Transfer. This Agreement shall not be assigned by Franchisee, either voluntarily or by operation of law, without the prior written consent of Franchisor. Franchisor will not unreasonably withhold its consent to any such assignment to an individual, satisfying Franchisor's then-current standards if each and all of the following conditions are satisfied:

i. Franchisee's written request for Franchisor's consent to the assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed assignment, the identity of the proposed assignee and such other information as Franchisor may reasonably request;

ii. Franchisor has reasonably determined that the price and payment terms for the proposed assignment will not adversely affect the operation of the subject Winchell's Donut Shop;

iii. Franchisee shall not be in default under the terms of this Agreement, any lease or other agreement in effect with Franchisor, or any other obligations owed to Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full;

iv. There shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the subject Winchell's Donut Shop.

v. Franchisee, and its owners if Franchisee is an entity, shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, owner(s), directors, officers, agents and employees;

vi. The transferee/assignee shall have demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current educational, managerial, business reputation and business standards for the approval of new Winchell's Donut Shop franchisees including, without limitation,

possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, experience, aptitude and the ability to comply fully with the terms of this Agreement;

vii. The transferee/assignee shall have either (a) assumed this Agreement by a written assumption agreement approved by Franchisor, or agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor; provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any such obligations; or (b) at Franchisor's option, shall have executed a replacement franchise agreement on the then-current standard form of franchise agreement used by Franchisor; provided, however, that at Franchisor's request, the transferor/assignor shall have executed a continuing guarantee in favor of Franchisor of the performance and payment by the transferee/assignee of all obligations and debts to Franchisor under the replacement franchise agreement; and

viii. The transferee/assignee shall be responsible for the management of the subject Winchell's Donut Shop and shall have satisfactorily completed Franchisor's training provided for herein.

b. Void Assignment. Any purported assignment of the franchise by Franchisee without Yum Yum's prior written consent shall be void and any such attempt to assign or transfer the franchise shall be a breach of this Agreement.

17. PROTECTION OF TRADEMARKS AND RELATED PROPRIETARY RIGHTS

a. Notice of Claim. In the event of any claim of infringement of or challenge to Franchisee's use of the names or marks licensed under this Agreement, Franchisee shall immediately notify Yum Yum in writing of the facts of such claim or challenge. Yum Yum shall protect and defend Franchisee against any claims or challenges arising out of Franchisee's use of Winchell's trade names, trademarks or copyrights as licensed hereunder.

b. Reimbursement. Yum Yum shall reimburse Franchisee for all damages for which Franchisee is held liable in any such proceeding; however, the foregoing obligations of Yum Yum to protect, defend and reimburse Franchisee will exist only if Franchisee has used the name or mark which is the subject of the controversy in strict accordance with the provisions of this Agreement and the rules, regulations, procedures, requirements and instructions of Yum Yum and has notified Yum Yum of the challenge as set forth above.

c. Control of Yum Yum. Any action to be taken in the event of a claim or challenge to any of Winchell's names, marks or copyrights shall be solely in the discretion of Yum Yum. Yum Yum shall have the sole right to control any legal actions or proceedings resulting therefrom. Any actions taken to protect Winchell's names, marks or copyrights shall also be within the sole discretion and control of Yum Yum. Franchisee agrees to cooperate fully with Yum Yum in the prosecution or defense of any claim or challenge concerning any of Winchell's names, marks or copyrights.

d. Discontinued Use. In the event it becomes advisable at any time, in the sole discretion of Yum Yum, to modify or discontinue the use of any one or more of its names, marks, or copyrights or to use one or more additional or substitute names, marks or copyrights, Franchisee agrees to immediately comply with the instructions of Yum Yum in that regard. In such event, the sole obligation of Yum Yum will be to reimburse Franchisee for the actual costs, such as replacing sign faces, of physically complying with this obligation.

e. Notice. Franchisee agrees to indicate the required trademark, service mark or copyright notices in the form specified by Yum Yum in connection with his use of Winchell's trademarked and copyrighted items.

f. Property of Yum Yum. Franchisee acknowledges and agrees that at all times and in all respects, the trademarks, trade names, service marks and copyrights of Winchell's are the sole property of Yum Yum and that Franchisee has only a license to use such rights and marks according to the provisions hereof. Franchisee shall make no application for registration of any identifying name or mark licensed herein or similar thereto without the prior written consent of, and upon terms and conditions satisfactory to, Yum Yum. Franchisee agrees to take no action which will interfere with Winchell's trademarks, service marks, trade names or copyright rights.

g. Confidentiality. Nothing contained in this Agreement shall be construed to require Yum Yum to divulge to Franchisee any secret processes, formulae or ingredients, except the material contained in Yum Yum's manuals and training materials. Franchisee acknowledges that his knowledge of Yum Yum's formulae, recipes, know-how, processes, products, techniques, information and other proprietary data are derived entirely from information disclosed to him by Yum Yum and that such information is proprietary, confidential and a trade secret of Yum Yum. Franchisee agrees to adhere fully and strictly to all of Yum Yum's requirements of confidentiality of such information and to exercise the highest degree of diligence in safeguarding Yum Yum's trade secrets during and after the term of this Agreement. Franchisee shall divulge such material only to Franchisee's employees and only to the extent necessary to permit the efficient operation of the Winchell's Donut Shop. It is expressly agreed that the ownership of all of the franchised property is and shall remain vested solely in Yum Yum.

18. NON-COMPETITION

During the term of this franchise, Franchisee shall not directly or indirectly engage (i.e. through spouse, domestic partner or immediate family member) or be financially involved in (except for ownership of not more than five percent (5%) of the outstanding stock, voting and non-voting, of a corporation, the stock of which is traded on a national securities exchange), or be employed by any business, which sells donuts, pastries, cookies, sandwiches or related products as a significant aspect of its operations, except for another Winchell's Donut Shop.

Franchisee shall not directly or indirectly contact the Master Lessor of the premises on which the Winchell's Donut Shop is located. In particular, Franchisee shall not attempt to enter into a new or extended lease for the donut shop with the Master Lessor upon termination of the Franchise. In the event of a breach of this covenant, in addition to all other remedies of Yum Yum, Yum Yum shall have the option to require Franchisee to assign any lease or other agreement made by Franchisee directly or indirectly with the Master Lessor.

Upon termination of this franchise and for a period of five (5) years from the date of termination of this franchise, Franchisee agrees to not compete, directly or indirectly, in the same or similar business within a radius of five (5) miles from Franchisee's Winchell's Donut Shop.

19. DEFAULT

The occurrences of any of the following events shall constitute a default of any Franchisee under this Agreement:

a. Voluntary Abandonment. Voluntary abandonment of the Winchell's Donut Shop by Franchisee; or failure to occupy and operate the premises for five (5) consecutive days without good cause shall be deemed an abandonment;

b. Failure to Pay Charges, Royalties or Fees. Failure of Franchisee, within five (5) days after receipt of notice of delinquency from Yum Yum, to make timely payment to Yum Yum of any and all rent, taxes, insurance, charges, royalties or fees payable pursuant to this Agreement;

c. Conduct of Business. Conduct of the franchised business in such a manner so as to affect materially and adversely the goodwill or reputation of Yum Yum or its products;

d. Failure to Comply. Failure to comply with all of the terms hereof, including but not limited to any use or sale of food products not in accordance with Yum Yum's standards and requirements, methods & standards of operation (Section 8 of this Agreement), recordkeeping & accounting (Section 15 of this Agreement) or any other agreement between Yum Yum and Franchisee.

e. Prohibited Transfer. Any purported assignment, transfer, or sublicense of this franchise, or any right hereunder without Yum Yum's prior written consent.

f. Failure to Operate. Failure to operate the Winchell's Donut Shop during such days and hours as may be specified in accordance with this Agreement;

g. Conviction. The conviction of Franchisee in a court of competent jurisdiction of any criminal offense directly related to the business conducted pursuant to this franchise or likely to adversely affect the goodwill or reputation of the Franchisee, Yum Yum or its products; or

h. Bankruptcy. Any affirmative act of bankruptcy or insolvency by Franchisee, or the filing by Franchisee of any petition or action in bankruptcy or insolvency, or for appointment of a receiver or trustee, or an assignment by Franchisee for the benefit of creditors, or the failure to vacate or dismiss within sixty (60) days after filing any such proceedings commenced against Franchisee by a third party.

i. Attachment of Involuntary Lien. The attachment of any involuntary lien in the sum of One Thousand Dollars (\$1,000.00) or more upon any of the business assets or property of Franchisee, which lien is not removed, or for which Franchisee does not post a bond sufficient to satisfy such lien, within thirty (30) days of filing such lien.

j. Death or incapacity of the Franchisee.

k. Any default on the Sublease or Equipment Lease Agreement shall constitute a default under this Franchise Agreement.

20. REMEDIES FOR DEFAULT

a. Right to Cure. If Franchisee shall be in default in the performance of any of the terms of this Agreement, Yum Yum, in addition to all other remedies available to it at law or in equity, may declare this Agreement automatically terminated unless such default is cured within a period ending on the first to occur of (a) the date Franchisee's security deposit actually paid (not including amount financed) will be exhausted by application against Franchisee's obligations or (b) ten (10) days after written notice thereof from Yum Yum to Franchisee, unless the default is of a nature that more than ten (10) days are reasonably required to cure, and Franchisee shall commence to cure the default within said ten (10) day period and shall proceed with such cure with due diligence and within the period, if any, designated by Yum Yum as the allowable additional time within which the cure must be accomplished. If the default is of a nature which cannot be cured, Yum Yum may immediately declare this Agreement terminated or assess a penalty of up to \$500 per default. If Franchisee shall repeatedly fail to comply with the terms of this Agreement, or any other agreement with Yum Yum, whether or not such defaults are cured, then, after notice from Yum Yum, in addition to all other remedies available at law or in equity, Yum Yum may immediately declare this Agreement terminated or assess a penalty of up to \$500 per default.

b. Surrender of Premises. Upon termination of this Agreement, Franchisee shall promptly and peaceably deliver and surrender up to Yum Yum possession of the Winchell's Donut Shop, including, but not limited to, the Winchell's Donut Shop building, parking lot, Yum Yum's equipment and fixtures, all clean and in good working order and repair. Yum Yum shall thereafter have the right, in its sole discretion, to directly operate or offer for franchise the Winchell's Donut Shop.

c. Return of Manuals. Immediately upon the termination of this Agreement for any reason, Franchisee agrees to cease and refrain from using the Trade Practices or any part thereof or any

proprietary information contained therein and to return to Yum Yum all copies of the confidential operations and food preparation manuals and all other documents, instructions, recipes, displays items, advertising material, training and other tangible property connected with the franchise.

d. Marked Items. Franchisee hereby grants to Yum Yum the option to purchase all paper goods, containers and all other items containing Winchell's name or marks at the lower of their cost or fair market value at the time of termination.

e. Monetary Obligations. In the event of termination, Yum Yum may retain all fees paid pursuant to this Agreement. In addition, all obligations of Yum Yum to Franchisee and all rights of Franchisee under this Agreement shall automatically terminate; however, any obligations of Franchisee to take, or abstain from taking, any action upon termination pursuant to this Agreement shall not be affected by such termination, including the payment to Yum Yum of all sums due from Franchisee at the time of termination.

f. Abandonment of Store. If Franchisee does not give Yum Yum the 30-day notice of termination of this Franchise pursuant to Section 3, but ceases to operate the store, in addition to all other remedies and rights, Yum Yum may operate the store for the following 30 days at the cost of the Franchisee. Franchisee shall pay to Yum Yum the net cost of operating the store (the gross receipts less all costs of operation) within 30 days after receiving notice from Yum Yum of such net cost.

21. NOTICES

a. Writing. All notices, requests, demands, consents and other communications hereunder shall be transmitted in writing and shall be hand-delivered or sent by registered or certified United States mail, postage prepaid, addressed to the address listed next to the signatures at the end of this document.

b. Change of Address. Either party may change his or its address by giving notice of such change of address to the other party.

c. Mailed Notice. Mailed notices shall be deemed delivered on the third day after the date of mailing if mailed as provided in this Section.

d. Hand Delivery. Hand-delivered notices, including notices posted on the office door of the donut shop if Franchisee is not present, shall be deemed delivered on the date of delivery.

22. MISCELLANEOUS

a. Injunction, Jury Trial. Franchisee recognizes the unique value and secondary meaning attached to the Winchell's System, its trade names, service marks, trademarks, standards of operation and the Trade Practices and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use will cause irreparable damage to Yum Yum. Franchisee therefore agrees that if he should engage in any such unauthorized or improper use, during or after the period of this franchise, Yum Yum shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law. Franchisee hereby waives any right to demand or have trial by jury in any action relating to this Agreement in which Yum Yum is a party.

b. Further Acts. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purpose of this Agreement.

c. Heirs and Successors. Subject to the provisions relating to Assignment, this Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

d. Entire Agreement. This Agreement, the Sublease and other written documents executed contemporaneously herewith, represent the entire understanding between the parties and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by the party to be bound thereby. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

e. Waiver. Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights. Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance. Any acceptance of money or other performance by Yum Yum from Franchisee shall not constitute a waiver of any default except as to the payment of the particular payment or performance so received.

f. Validity. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.

g. Headings. The headings used herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

h. Execution by Yum Yum. This Agreement shall not be binding on Yum Yum unless and until it shall have been accepted and signed by an authorized officer of Yum Yum.

i. Assignment by Yum Yum. This Agreement may be assigned in whole or in part by Yum Yum without prior approval of Franchisee and such assignment shall not modify or diminish Franchisee's obligations hereunder.

j. Third Parties. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party shall have the right to claim the benefit of any provision hereof as a third party beneficiary of any such provision.

k. Attorney's Fees. If Yum Yum becomes a party to any litigation concerning this Agreement or the Winchell's Donut Shop by reason of any act or omission of Franchisee or its authorized representatives and not by any act or omission of Yum Yum or any act or omission of its authorized representatives, Franchisee shall be liable to Yum Yum for reasonable attorneys' fees and court costs incurred by Yum Yum in the litigation. If either party commences an action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

l. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any litigation with respect to this agreement, except for unlawful detainer actions must be brought in a court located in Los Angeles County, California.

m. Dispute Resolution, Including Arbitration; Waiver of Jury Trial; Venue; and Limitation of Actions.

- (1) Dispute Resolution. Prior to filing any arbitration proceeding, litigation or other process against the other party, save and except any action, litigation or proceeding arising out of Franchisee's failure to pay to Yum Yum any amount due under Section 5 of this Agreement, Yum Yum and Franchisee each agree that they shall address a notice to the other in writing specifying the nature of the claim and the parties hereto agree to attempt to resolve any such claim and/or dispute within fifteen (15) days thereafter by informal dispute resolution proceedings, and only if no resolution can be obtained within said fifteen (15) days shall a party file an action and/or arbitration proceeding.
- (2) Mediation. If the parties are not successful in resolving the claim and/or dispute between the parties informally pursuant to subparagraph (1) of this Section 22(m), and notwithstanding anything to the contrary in subparagraph (3) of this Section 22(m), before either party may initiate any arbitration proceeding pursuant to such subparagraph (3), the parties shall

first attempt to resolve any controversy, claim or dispute arising out of or relating to this Agreement (each, a “Dispute”) pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association (the “AAA”) unless the parties agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Los Angeles, California, and shall be conducted and completed within 45 days following the date either party first gives notice of mediation unless otherwise agreed to in writing by the parties. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and any other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within 45 days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys’ fees in any subsequent arbitration or other legal proceeding.

- (3) Arbitration. Save and except any Dispute arising under Section 5 of this Agreement involving Franchisee’s failure to pay to Yum Yum any amount due thereunder, all Disputes arising between Yum Yum and Franchisee in connection with, arising from or with respect to: (i) any provision of this Agreement or any other agreement related to this Agreement between the parties; (ii) the relationship of the parties hereto; (iii) the validity of this Agreement or any other agreement related to this Agreement between the parties, or any provision thereof; (iv) the arbitrability of such Dispute or any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void; or (v) any specification, standard or operating procedure relating to the operation of the Winchell’s Donut Shop (except Disputes relating to Winchell’s trade names, trademarks, copyrights or proprietary rights or any lease or sublease of real or personal property) which shall not be resolved within fifteen (15) days after the later of (x) the date on which either party shall have notified the other in writing of such Dispute or (y) completion of the mediation provided for in subparagraph (2) of this Section 22(m), shall be submitted for arbitration to the AAA on demand of either

party. Such arbitration proceedings shall be conducted in Los Angeles, California, by one arbitrator and except as otherwise provided in this Agreement, shall be conducted in accordance with the then current Commercial Arbitration Rules of the AAA. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Yum Yum, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other franchisee. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The parties' agreement to arbitrate set forth herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

- (4) Arbitral Award. The arbitrator shall have the right to award or include in the arbitration award any relief which the arbitrator deems proper in the circumstances, including without limitation money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including without limitation the method of operation, authorized products sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Yum Yum manuals, be waived, modified or changed by the arbitrator. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.
- (5) Venue. Except for unlawful detainer actions, which shall be brought in the county in which the property is located, Yum Yum and Franchisee agree that any action brought by either of them against the other which is not arbitrated pursuant hereto or pursuant to law shall be instituted in a federal or state court having subject matter jurisdiction hereof located in Los Angeles County, California and they irrevocably waive any objection they may have to the venue of such court.
- (6) WAIVER OF TRIAL BY JURY. YUM YUM AND FRANCHISEE HERETO HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION OR PRECEEDING OF ANY KIND OR NATURE IN ANY COURT IN

WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST EITHER PARTY ARISING OUT OF THIS AGREEMENT OR BY REASON OF ANY OTHER CAUSE OR DISPUTE WHATSOEVER BETWEEN THE PARTIES HERETO OF ANY KIND OR NATURE. EACH PARTY ACKNOWLEDGES THAT SUCH WAIVER IS MADE WITH FULL KNOWLEDGE AND UNDERSTANDING OF THE NATURE OF THE RIGHTS AND BENEFITS WAIVED HEREBY, AND WITH THE BENEFIT OF ADVICE OF COUSEL OF ITS CHOOSING.

- (7) Injunctive Relief. Notwithstanding the foregoing provisions, the parties agree that either of them shall have the right to seek temporary or preliminary injunctive relief to restrain any conduct in the development or operation of the Winchell's Donut Shop (including prevention of sale of adulterated or non-standard products) that could materially damage the goodwill associated with Winchell's trade names, trademarks, copyrights or proprietary rights, provided that the parties agree to arbitrate any such dispute concurrently with and subsequent to the grant or denial of such temporary or preliminary injunctive relief.
- (8) Waiver of Punitive Damages. Yum Yum and Franchisee hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by them.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the commencement date as stated in Section 3.

Address

17355 Railroad St.
City of Industry, California 91748

FRANCHISOR

YUM YUM DONUT SHOPS, INC., a
California corporation

By: _____

Its _____

Address

FRANCHISEE,
an individual

By: _____

CALIFORNIA STATE ADDENDUM

- A. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Store Number:

Write if "NEW"	"Used" 1/2 Price	Actual Count	Exhibit A Small Equipment
			DONUT CUTTERS
	48.00		Raised Donut Round Cutter
	34.00		Raised Donut Jelly Cutter
	52.00		Special Donut Cutter
	99.00		Raised Donut 5 inch Bar Cutter
	15.00		Pizza Cutter
			OTHER BAKING SUPPLIES
	10.50		Measure Gallon
	6.00		Sm Measure Plastic Cup (1 qt)
	33.00		Rolling Pin
	7.50		Small Scoops
	10.00		Scoops, Aluminum
			SCREENS & PANS
	26.50		Frying Screens 23 x 23, (Stainless Steel)
	22.50		Frying Screens 19 x 19 (Stainless Steel)
	26.00		Frying Cradle (to hold frying screens)
	48.00		Cake Frying Screen w/ Handle
	11.00		Display Screens, 17 x 25
	5.00		Small Aluminum Bun Pans
	8.00		Aluminum Bun Pans, 18 x 26
	13.00		Plastic Bun Pans
	11.50		Icing Pans, Stainless Steel, 12 x 20 x 2
	8.00		Holiday Day Bread Pans
	26.00		Small Muffin Pans
	36.00		Large Muffin Pans
			EQUIPMENT & OTHER
	1890.00		Sanitary Donut Machine (includes Arm & Hopper)
	150.00		Cylinder
	25.00		Crown Nut
	175.00		Cake Plunger
	489.00		French Plunger
	270.00		Ball Plunger
	382.00		Mini Donut Plunger/ with Cylinder
	895.00		Jelly Filler - Power Base
	174.00		- Hoppers
	35.00		Iced Coffee Container (Stainless Steel)
	7.00		Clear Plastic Containers (For Chillies)
	28.00		Hose, Commercial Garden
	7.00		Small Creamers
	80.00		Mop Wringer with Bucket
	8.00		Mixing Bowl 8 Qt SS
	8.50		Bread Knife
	11.00		Spreaders (3 Knives)
	12.00		White Cutting Board, 15 x 20 x 1/2
	35.00		1 lb./ 2 lb. Scale
	6.00		Container - 4" Clear
	5.00		Container Lid 4" Clear
	8.00		Container - 4" SS
	7.00		Container - 4 QT Square Clear with Lid
	7.75		Container - 4 QT Round Clear with Lid
	13.50		Container - 6 QT Square Clear with Lid
	14.50		Container - 6 QT Round Clear with Lid
	14.50		Container - 8 QT Square Clear with Lid
	16.50		Container - 8 QT Round Clear with Lid
	150.00		Plastic Display Case 3-tier (Bagels)

Note: The prices listed in the "Used" column represent 1/2 the cost of new equipment. New equipment would be twice the amount.

By signing below, I agree that the above small equipment inventory counts are correct:

Date

Franchise Owner

Date

Yum Yum Representative

EXHIBIT B

PROPRIETARY ITEMS

PRODUCT DESCRIPTION	PACK SIZE	APPROVED SUPPLIER	QNF ITEM NO.
Donut Mixes			
Raised Mix	50 lbs	QNF	400100
Chocolate Cake Donut Mix	50 lbs	QNF	402000
Hi Altitude Chocolate Cake Mix	50 lbs	QNF	402050
White Cake Donut Mix	50 lbs	QNF	402200
Hi Altitude White Cake Mix	50 lbs	QNF	405250
Old Fashion Donut Mix	50 lbs	QNF	403000
Buttermilk Cruller	50 lbs	QNF	404000
French Donut Mix	25 lbs	QNF	405100
Hi Altitude French Donut Mix	25 lbs	QNF	405150
Wheat & Spice Donut Mix	50 lbs	QNF	106000
Pancake Mix (for quesadilla bread)	50 lbs	QNF	109650
Instant Dry Yeast	20/1 lb	QNF	287000
Macaroon Cookie Mix	40#	QNF	257300

Muffin Mixes			
Premium Muffin Mix	50 lbs	QNF	407100
Hi Altitude Muffin Mix	50 lbs	QNF	407150
Bran Muffin Mix	25 lbs	QNF	108000
TFF Crème Cake Muffin (Guam)	50 lbs	QNF	708040T
Prem Choc Crème Cake & Muffin (Guam)	25#	QNF	109000

Toppings/Icings/Glaze			
Donut Glaze	25 lbs	QNF	447000
Chocolate Icing	25 lbs	QNF	448000
Honey Caramel Glaze	18 lbs	QNF	449000
Donut Coating Sugar	25 lbs	QNF	142000
Crystal Sugar	15 lbs	QNF	143000
Pure White Icing Base	15 lbs	QNF	152500
Coconut Flakes	10 lbs	QNF	864000
Walnuts	5 lbs	QNF	265600
Raisins	10 lbs	QNF	266500
Maraschino Cherries	$\frac{1}{2}$ gal	QNF	263500
Peanuts - small diced	5 lbs	QNF	265200
Golden Meadow Honey	5 lb can	QNF	267000
Cinnamon Ground	10 lbs	QNF	267500
Chocolate Chips	Bag	QNF	268100
Pineapple Slices	10# can	QNF	269000
Crushed Pineapple	10# can	QNF	269100
Pumpkin, Solid Pak	10# can	QNF	269700
Banana Flavoring	QT	QNF	270500
Blueberry Flavoring	QT	QNF	271500
Pineapple Flavoring	QT	QNF	271600

Lemon Emulsion	QT	QNF	271700
Caramel Flavoring	750 ml/btl	QNF	272000
Hazelnut Flavoring	750 ml/btl	QNF	272100
Vanilla Flavoring	750 ml/btl	QNF	272300
Orange Food Coloring	10.5 oz	QNF	275100
Red Food Coloring	10.5 oz	QNF	276100
Green Food Coloring	10.5 oz	QNF	277100
Stay Fresh	1 gal	QNF	284000
Maple Flavor	2.4	QNF	470000
Chocolate Cookie Crumbs	50#	QNF	267200
Sesame Seeds	10 oz	QNF	266100
Poppy Seeds	21 oz	QNF	266200
Vanilla Extract (for chillas)	16 oz	QNF	271800
Caramel Topping	64 oz	QNF	272500

Donut Fillings			
Cube Cut Apple (Apple Fritters)	40#	QNF	461000
Fine Cut Apple (Donut Filling)	40#	QNF	461500
Blueberry Filling	18 lb pl	QNF	462000
Lemon Filling	40 lb	QNF	464000
Raspberry Filling	40 lb	QNF	465000
Strawberry Filling, Pump	40 lb	QNF	466000
Pineapple Filling	38 lb pl	QNF	269500
QNF Vanilla Filling	40 lb pl	QNF	168000

Shortening/Vegetable Oil/Syrups			
Shortening	Each	QNF	282200
Vegetable Oil	2/17.5 lb	QNF	282000

Bagels/Croissants			
Blueberry Bagels	48/4 oz	QNF	204210
Cinnamon Raisin Bagels	48/4 oz	QNF	204240
Everything Bagels, Par Baked	48/4 oz	QNF	204380
Jalapeno Bagels	48/4 oz	QNF	204430
9-Grain Bagels, Par Baked	48/4 oz	QNF	204490
Onion Bagels	48/4 oz	QNF	204540
Plain Bagels	48/4 oz	QNF	204580
Scored Garlic Bagels	48/4 oz	QNF	204730
Sesame Seed Bagels	48/4 oz	QNF	204760
Whole Wheat Bagels	48/4 oz	QNF	204930
Large Croissants	50/5 oz	QNF	211100
Mini Croissants	150/1.5 oz	QNF	211300
Apple Croissants	50/5 oz	QNF	212600
Blueberry Croissants	50/5 oz	QNF	212100
Chocolate Fudge Croissants	50/5 oz	QNF	212700
Cream Cheese Croissants	50/5 oz	QNF	212400
Guava Cream Cheese Croissants	50/5 oz	QNF	212500
Pineapple Cream Cheese Croissants	50/5 oz	QNF	212200

Strawberry Cream Cheese Croissants	50/5 oz	QNF	212300
Croissants Sheet	12/27.5 oz	QNF	211400
Custard Raisin Roll	72/5 oz	QNF	216100
Pineapple Cream Cheese Strudel	90/3 oz	QNF	226540
Strawberry Cream Cheese Strudel	90/3 oz	QNF	226520

Cold Drinks			
Coke Classic	5 gal	QNF	290000
Coke Diet	5 gal	QNF	293000
Sprite	5 gal	QNF	293600
MinuteMaid Yellow Lemonade	Bib	QNF	293720
Orange Fanta	5 gal	QNF	293800
Dr. Pepper		QNF	291500
Hi-C Fruit Punch		QNF	292510
Mr. Pibbs	5 gal	QNF	294000
Coco/Coconut Raspado	64 oz	QNF	171200
Vainilla/Vanilla Raspado	64 oz	QNF	179100
Fresa/Strawberry Raspado	64 oz	QNF	172300
Guayaba/Guava Raspado	64 oz	QNF	173400
Limon/Lemon Raspado	64 oz	QNF	174500
Mango Raspado	64 oz	QNF	175600
Pina Colada Raspado	64 oz	QNF	177800
Tamarindo Raspado	64 oz	QNF	178900
Nuez/Walnut Raspado	64 oz	QNF	176700

Hot Drinks			
Apffels Decaf Coffee Packets	84/2 oz	QNF	296100
City Lites II	128/2 oz	QNF	298200
City Lites	12/2 lbs	QNF	298550
Vienna Dark Coffee	72/2.75 oz	QNF	298850
Hot Cocoa Mix	18/28 oz	QNF	497100
Bigelow Tea Bags	100/box	QNF	295000
French Vanilla Cappuccino Mix, Hot/Iced	45 lbs	QNF	199100
Mocha Cappuccino Mix, Hot/Iced	45 lbs	QNF	199200

Packaging/Cups			
Winchell's 12 oz Cup 12F18	1000	QNF	800190
Winchell's 16 oz Cup 16F18	500	QNF	800290
Winchell's 20 oz Cup 20F18	500	QNF	800390
Winchell's 24 oz Cup 24F18	300	QNF	800490
Winchell's 32 oz Cup 32CC32	300	QNF	800495
Lid Cold Drink L18S	1000	QNF	800590
Cappuccino Hot Lid DL18	1000	QNF	800690
Lid 32 oz L32S	500	QNF	800790
Winchell's One Dozen Boxes	100/cs	QNF	801110
Winchell's Half Dozen Boxes	150/cs	QNF	801200
Winchell's #4 Bag	2000/cs	QNF	801310
Winchell's #19 Bag	2000/cs	QNF	801350

Winchell's #6 Bag	1000/cs	QNF	801410
Winchell's 16 oz PET Cup SOLO	1000/cs	QNF	801500
Plain Tray Liners 13.5"x10"	1000/cs	QNF	801510
Winchell's 20 oz PET Cup SOLO	1000/cs	QNF	801600
Dome Lid - PET Cup SOLO	1000/cs	QNF	801800
Flat Lid - PET Cup SOLO	1000/cs	QNF	801900

Condiments			
Mocha Mix - Original	6/64 oz	QNF	398000
Half and Half Creamer	6/1.5 gal	QNF	398210
French Vanilla Creamer - Coffee Mate	6/1.5 gal	QNF	398320
Non-Dairy Creamer	1000/cs	QNF	895500

Others			
Spicy Sausage Patty	80/2 oz	QNF	223320
Cream Cheese - Pauly	10/3 lb	QNF	399450
Neufchatel Cheese - Raskas (lite)	10/3 lb	QNF	399510
American Cheese Slices	640/.5/cs	QNF	399620
Sliced Ham	6 2 lb	QNF	399840
Cranberries, half cut, frozen	20 lb	QNF	223760
Blueberries, IQF	2/5 lb	QNF	226250
Frozen Strawberries	12/10 oz	QNF	223640
Cream Horns	103	QNF	252100
Ham, Black Forest LB	X 20 lb	QNF	399870
Turkey, Hickory LB	X 20 lb	QNF	399890
Pastrami LB	X 10 lb	QNF	399910
Eggs, Liquid	15/2 lb	QNF	399190
Eggs, White	2 lb	QNF	399120
Parmesan Cheese, Grated	5#	QNF	397400
Cheddar Cheese Mild	5#	QNF	399640
Jack Cheese	5#	QNF	399650
Jack/Cheddar Shredded Cheese	5#	QNF	399680
Bacon, Pre-Cooked	300 ct	QNF	399930
Chorizo, Pork	3#	QNF	399950
Chicken Breast Grilled, Pre-Cooked	3 oz/10 lb	QNF	223370

NOTE: In an effort to maintain costs and keep prices reasonable, some products described in this Exhibit B may not be available for purchase in your geographic area. At our sole discretion, we reserve the right to limit the availability of some products at any time without notice throughout parts of the United States, which may include your state or region.

EXHIBIT 4
EQUIPMENT AND LEASEHOLD IMPROVEMENT LEASE AGREEMENT

YUM YUM DONUT SHOPS, INC. hereinafter called "YUM YUM", and _____, whose address is _____, hereinafter called "FRANCHISEE", in consideration of the promises made herein and intending to be legally bound, agree as follows:

PROPERTY AND TERM

1. YUM YUM hereby leases to FRANCHISEE the equipment, personal property, fixtures and leasehold improvements (the "PROPERTY"), described in Exhibit A which is attached hereto and made a part hereof in an "as is" condition. This Lease shall become effective on the commencement date of the Franchise Agreement and shall terminate thirty (30) days later. If the Franchise is extended pursuant to the Franchise Agreement, this Equipment and Leasehold Improvement Lease shall automatically be extended for the same term. If the Franchise is terminated this Equipment and Leasehold Improvement Lease shall automatically terminate. The parties acknowledge either party may cancel the Franchise and this Lease on thirty (30) days' notice to the other.

RENTALS

2. The parties acknowledge the PROPERTY is presently located at _____. FRANCHISEE shall pay a weekly rental for the use of said property of \$_____. The rent is due and payable in advance on each Thursday and continuing for the term of this Lease and any renewal thereof. If the FRANCHISEE is required to replace equipment, fixtures, décor, furnishings and other items or if the Demised Premises are remodeled, updated or repaired by YUM YUM and the FRANCHISEE desires to add such costs to the Equipment and Leasehold Improvement Lease, the minimum weekly rental will be increased by the amount necessary to amortize the actual cost over a period of years.

FRANCHISEE shall pay to YUM YUM as additional rent on each Thursday, the sum of _____ (the "Estimated Weekly Charges"). This sum is the estimated weekly cost of personal property taxes. YUM YUM shall furnish FRANCHISEE upon request with a statement of actual taxes annually. Within fifteen (15) days thereafter, FRANCHISEE shall pay YUM YUM the difference between actual costs and Estimated Weekly Charges collected for the same period. YUM YUM may adjust the Estimated Weekly Charges based on actual cost.

USE OF PROPERTY

3. The PROPERTY covered hereby may be used by FRANCHISEE only at the location stated above and shall not be removed therefrom or sublet, or otherwise disposed of, nor this Lease assigned.

OWNERSHIP

4. It is expressly understood that this is an agreement of lease only, and that FRANCHISEE acquires no right, title or interest in or to the PROPERTY described in Exhibit A or amendment, other than the right to the possession and use of the same in accordance with the terms of this Lease. Any identification tags attached leased property shall not be removed.

In the event that any of the leased PROPERTY is replaced, then YUM YUM retains all right, title and interest in the leased PROPERTY requiring replacement (i.e. the leased property that was removed).

COST OF USE

5. FRANCHISEE shall bear the entire cost of using the leased PROPERTY during the term of this Agreement, including costs of compliance with all federal, state and local laws, now or hereafter applicable, including but not limited to the Americans with Disabilities Act of 1990, as amended.

SECURITY DEPOSIT

6. The Security Deposit being held by YUM YUM pursuant to the provisions of the Franchise Agreement shall also be held as security for payment of all of FRANCHISEE'S obligations hereunder.

MAINTENANCE; INSPECTION; SERVICE

7. FRANCHISEE agrees to exercise due and proper care in the use and maintenance of the PROPERTY and to keep the PROPERTY in a good state of repair. Except for reasonable wear and tear, FRANCHISEE will be responsible for all damage to the PROPERTY for misuse, negligence, improper use, and shall replace any lost or missing items. FRANCHISEE must have a preventive maintenance program and may be required to have service contracts for items such as air conditioning and heating, water filtration system and fire extinguishers. A preventive maintenance report signed by the person who performed the service must be submitted to YUM

YUM monthly. In the event major repairs are required, YUM YUM shall pay for the repair and shall increase the equipment rental by an appropriate amount, including interest.

FRANCHISEE acknowledges and agrees that it is and shall at all times be FRANCHISEE'S sole obligation and responsibility to ensure at its sole cost and expense that the Premises comply with all applicable federal, state, and local laws, regulations and other governmental requirements, now or hereafter in effect, including without limitation, all requirements relating to disabled persons. Franchisee further acknowledges and agrees that YUM YUM will have no liability or obligation with respect to FRANCHISEE'S compliance with the foregoing. If at any time the Premises or any parking lot, equipment, décor, furnishings, fixtures or other tangible personal property at the Premises do not comply with applicable federal, state, or local laws and/or other governmental requirements, FRANCHISEE shall be solely responsible for all costs and expenses associated with compliance with any of the foregoing. FRANCHISEE shall indemnify, defend and hold harmless YUM YUM from and against any and all losses, costs, expenses, damages, liabilities and claims arising out of or relating to FRANCHISEE'S failure to comply its obligations under this Agreement, including its obligations under this Section 7.

It shall be FRANCHISEE's sole responsibility to determine whether the PROPERTY complies with all federal, state, and local laws and to repair and maintain the PROPERTY to ensure compliance. FRANCHISEE acknowledges that FRANCHISEE shall NOT rely on any information that may be provided by Yum Yum or its agents (directly or indirectly) regarding compliance with any laws, including the Americans with Disabilities Act of 1990, as amended, and Yum Yum shall have no liability whatsoever for any claims arising from FRANCHISEE's failure to comply hereunder.

In the event major repairs are required, YUM YUM may pay for the repair and increase the equipment rental by an appropriate amount, including interest.

YUM YUM shall have the right of access to FRANCHISEE'S premises for inspection of the PROPERTY at reasonable times and with a minimum of interference with FRANCHISEE'S operation. If inspection reveals that PROPERTY is improperly used, repaired, or maintained, then YUM YUM may service or repair the same as needed and such expense shall be paid by FRANCHISEE.

Any work so performed by YUM YUM in the service or maintenance of the PROPERTY as the result of FRANCHISEE'S failure or neglect to do so shall not deprive YUM YUM of any of its rights, remedies, or actions against FRANCHISEE for damages resulting from such failure or neglect.

ALTERATIONS

8. In the event the WINCHELL'S Donut Shop is, at any time, to be altered or remodeled, or additional decorations, fixtures, furniture or equipment are to be installed or substituted, or signs are to be erected or altered, all of such work shall be subject to the prior written approval of YUM YUM and, when completed, shall conform to plans and specifications approved by YUM YUM. YUM YUM may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with YUM YUM's currently approved plans and specifications. YUM YUM may, at its discretion, cause the WINCHELL'S Donut Shop to be altered or remodeled and in that event YUM YUM may pay for such alterations or remodeling and increase the minimum weekly rental as provided in Section 2 above.

TAXES

9. YUM YUM shall pay any personal property taxes levied against the leased PROPERTY, but FRANCHISEE shall reimburse YUM YUM as set forth in Paragraph 2. Any other taxes levied or based on this Agreement or the use of the PROPERTY, except taxes based on YUM YUM's net income, shall be paid directly by FRANCHISEE.

WARRANTY AND BREAKDOWN

10. It is understood that YUM YUM has made no guaranty or warranties regarding the leased PROPERTY as to material, workmanship, or the capacity of the PROPERTY, except as may be provided by the manufacturer. YUM YUM shall not be responsible for any loss of time or any other loss resulting from any PROPERTY breakdown or other failures. There shall be no abatement of rental during any period of breakdown or nonuse of the leased PROPERTY.

ACCIDENTS AND INSURANCE

11. FRANCHISEE shall insure all of the PROPERTY against any loss or damage by fire or other hazard or perils ordinarily included under the standard extended coverage endorsement.

If the PROPERTY is damaged or destroyed by means which are not covered by said insurance, then FRANCHISEE shall pay the cost of repairs to restore the same.

MISSING OR DAMAGED EQUIPMENT

12. On termination of this Lease, the parties shall inventory the equipment and personal property then on the premises: The value of any missing items and the cost to repair any damage in excess of ordinary wear and tear shall be immediately payable by FRANCHISEE to YUM YUM.

LATE CHARGES

13. FRANCHISEE hereby acknowledges that late payment by FRANCHISEE to YUM YUM of sums due hereunder will cause YUM YUM to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of rent or any sum due from FRANCHISEE shall not be received by YUM YUM when said amount is due, then FRANCHISEE shall pay to YUM YUM a late charge equal to three percent (3%) of such overdue amount. In addition, FRANCHISEE shall pay interest on all rentals and other charges not paid on the date when due at an annual interest rate of ten percent (10%) plus attorney's fees incurred by YUM YUM by reason of FRANCHISEE's failure to pay rent and/or other charges when due hereunder.

DEFAULT

14. The parties are contemporaneously executing a Sublease and a Franchise Agreement for the premises on which the PROPERTY is located. Any default on the premises Sublease or the Franchise Agreement shall constitute a default under this Lease. Failure to comply with any of the terms hereof shall be a default hereunder. Upon occurrence of a default, YUM YUM shall have all of the rights set forth in the Franchise Agreement.

GENERAL

15. a. This Agreement and other written agreements executed contemporaneously herewith contain the full and entire agreement between the parties hereto, and no oral understanding with any representative of YUM YUM is of any force or effect whatsoever.

b. This Agreement may not be assigned, sublet, or transferred by FRANCHISEE. Subject to that restriction, this Agreement is binding and shall inure to the benefit of the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

c. This Agreement shall not be amended or altered in any manner unless such amendment or alteration is in writing and signed by the party to be bound thereby.

YUM YUM DONUT SHOPS, INC.

By: _____
For Yum Yum Donut Shops, Inc.

DATE

FRANCHISEE

By: _____
Franchisee Signature

DATE

EXHIBIT 5
SUBLEASE

THIS AGREEMENT OF SUBLEASE is made in duplicate by and between YUM YUM DONUT SHOPS, INC., a California corporation, hereinafter designated "YUM YUM", and _____ hereinafter designated "FRANCHISEE."

WITNESSETH:

1. INTRODUCTION.

a. For and in consideration of the payment of the rental and of the covenants and agreements on the part of the FRANCHISEE herein expressed, YUM YUM agrees to and does hereby sublease and demise unto the FRANCHISEE, and FRANCHISEE agrees and does hereby sublease from YUM YUM for the term and upon and with the terms, conditions, covenants and agreements hereinafter set forth those certain premises ("Demised Premises") in the City of _____, State of California, more particularly described as follows:

b. This Lease is a non-transferrable Sublease and is subject to all of the terms and conditions of that certain Lease by and between YUM YUM and its LESSOR, hereinafter referred to as "Master Lease", a copy of which is attached hereto and by this reference incorporated herein. FRANCHISEE shall comply with all requirements of the Master Lease, except as expressly modified hereby. Notwithstanding any provision to the contrary, FRANCHISEE's obligations and duties shall not be less than that of YUM YUM's obligations and duties as provided in said Master Lease.

c. This Lease is expressly conditioned upon the consent of the Master LESSOR. In no event shall YUM YUM be liable for failure to obtain such consent.

d. The Sublease is executed in connection with the Franchise Agreement being executed contemporaneously herewith by the parties hereto.

2. LEASE TERM.

The term of this Lease shall become effective on the commencement date of the Franchise Agreement and shall terminate thirty (30) days later. If the franchise is extended pursuant to the Franchise Agreement, this Sublease shall automatically be extended for the same term, unless otherwise terminated upon thirty (30) days' notice from one party to the other. Except as provided in paragraph 3, the rental for a renewal period will normally remain the same except to reflect

inflation (a change in the cost of living index) but may substantially increase at Yum Yum's sole discretion upon no less than thirty (30) days' notice. If the franchise is terminated or assigned or transferred without the prior written consent of YUM YUM this Sublease shall automatically terminate. The parties acknowledge that this Sublease is cancellable by either party upon 30 days' notice to the other party.

3. RENTAL.

FRANCHISEE covenants and agrees to pay to YUM YUM as rent for the Demised Premises the monthly rental payable at times and in amounts as follows:

a. Commencing on the date FRANCHISEE opens for business, FRANCHISEE shall pay a minimum weekly rental of \$_____, payable in advance on each Thursday during the term of this Lease and any extension thereof. The minimum weekly rental will be increased once a year for Consumer Price Index adjustments (CPI) on the anniversary date of the Master Lease or if the terms of the Master Lease have changed (i.e. a new lease or amendment). The maximum weekly increase will be any amount by which the Master Lease rental has increased plus an amount equal to the prior weekly rental multiplied by the percentage by which the Consumer Price Index has increased. The anniversary date of the Master Lease is _____. The next scheduled cost of living rent adjustment will be on _____, 20__.

b. FRANCHISEE shall pay to YUM YUM as additional weekly rent on each Thursday, the sum of _____ (the "Estimated Weekly Charges"). This sum is FRANCHISEE's pro rata share of: (1) the estimated weekly cost of real estate taxes; (2) the estimated weekly cost of Common Area Maintenance charges; and (3) the actual weekly cost of any insurance purchased or financed by YUM YUM. Within thirty (30) days of receipt of actual expense statement from Master Lessor setting forth the actual taxes, common area maintenance charges and insurance incurred for the period by MASTER LESSOR, YUM YUM shall furnish FRANCHISEE upon request with a statement of actual taxes, common area maintenance charges and insurance including costs incurred by YUM YUM. Within fifteen (15) days thereafter, FRANCHISEE shall pay YUM YUM the difference between actual costs and Estimated Weekly Charges collected for the same period. YUM YUM may increase the Estimated Weekly Charges due each week at any time the actual costs exceed the Estimated Weekly Charges.

c. FRANCHISEE shall pay to YUM YUM as additional rent such other fees, charges, dues and other costs as YUM YUM may be required to pay by the Master Lease, and any other costs incurred by YUM YUM as a result of FRANCHISEE's occupancy. FRANCHISEE shall further be required to pay as Additional Rent those payments set forth in Section 5 in the Franchise Agreement, including but not limited to Royalty fees, equipment rentals, tax and insurance, advances and interest.

d. Rental for any partial week shall be prorated.

4. LATE CHARGES.

FRANCHISEE hereby acknowledges that late payment by FRANCHISEE to YUM YUM of rent or other sums due hereunder will cause YUM YUM to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon YUM YUM by terms of the Master Lease covering the Premises. Accordingly, if any installment of rent or any sum due from FRANCHISEE shall not be received by YUM YUM when said amount is due, then FRANCHISEE shall pay to YUM YUM a late charge equal to three percent (3%) of such overdue amount plus \$15 for any returned check or NSF funds transfer. In addition, Sublessee shall pay interest on all rentals and other charges not paid on the date when due at an annual interest rate of ten percent (10%) plus attorney's fees incurred by YUM YUM by reason of FRANCHISEE's failure to pay rent and/or other charges when due hereunder.

5. CONDITION OF PREMISES. Premises are leased in an "as is" condition. YUM YUM shall deliver, and FRANCHISEE shall accept, possession of the Premises broom-clean but otherwise in its "AS IS" condition as the Premises exist on the date hereof. Except as expressly set forth in this Sublease, YUM YUM shall have no obligation to furnish, render, pay for, consent to or supply any work, labor, services, materials, furniture, fixtures, equipment, decorations or other items to make the Premises ready or suitable for FRANCHISEE's occupancy.

FRANCHISEE acknowledges and agrees that it is and shall at all times be FRANCHISEE'S sole obligation and responsibility to ensure at its sole cost and expense that the Premises comply with all applicable federal, state, and local laws, regulations and other governmental requirements, now or hereafter in effect, including without limitation, all requirements relating to disabled persons. Franchisee further acknowledges and agrees that YUM YUM will have no liability or obligation with respect to FRANCHISEE'S compliance with the foregoing. If at any time the Premises or any parking lot, equipment, décor, furnishings, fixtures or other tangible personal property at the Premises do not comply with applicable federal, state, or local laws and/or other governmental requirements, FRANCHISEE shall be solely responsible for all costs and expenses associated with compliance with any of the foregoing. FRANCHISEE shall indemnify, defend and hold harmless YUM YUM from and against any and all losses, costs, expenses, damages, liabilities and claims arising out of or relating to FRANCHISEE'S failure to comply its obligations under this Agreement, including its obligations under this Section 5.

Any alterations or other work to be performed in Demised Premises shall be at the sole cost and expense of FRANCHISEE, in accordance with other provisions herein. At the termination of the Lease, the cost to repair any unauthorized alterations to the premises, including fixtures, in excess of ordinary wear and tear shall be immediately payable to YUM YUM by FRANCHISEE.

6. ALTERATIONS. In the event the WINCHELL'S Donut Shop is, at any time, to be altered or remodeled, or additional decorations, fixtures, furniture or equipment are to be installed or substituted, or signs are to be erected or altered, all of such work shall be subject to the prior written approval of YUM YUM and, when completed, shall conform to plans and specifications approved by YUM YUM. YUM YUM may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with YUM YUM's currently approved plans and specifications. YUM YUM may, at its discretion, cause the WINCHELL'S Donut Shop to be altered or remodeled and pay for such alterations or remodeling and increase the minimum weekly rental as provided in Section 3a above.
7. INTERIOR AND EXTERIOR. FRANCHISEE shall at all times keep the interior and exterior of the WINCHELL'S Donut Shop and the surrounding area clean and tidy and shall comply with the requirements of YUM YUM's manuals regarding the maintenance of the WINCHELL'S Donut Shop. FRANCHISEE shall immediately comply with all orders and regulations of applicable state and local health and safety administrations.
8. PAINT. FRANCHISEE shall repair, refinish or repaint the exterior and the interior of the WINCHELL'S Donut Shop at his own expense at such times as reasonably directed by YUM YUM. FRANCHISEE shall remove graffiti immediately.
9. DEFAULT. Any default on any other Agreement between the same parties hereto shall be a default under this Sublease. Failure to comply with any of the terms hereof shall be a default hereunder. Upon occurrence of a default, YUM YUM shall have all of the rights set forth in the Franchise Agreement.
10. NO CONTACT WITH MASTER LESSOR. FRANCHISEE shall not directly or indirectly contact the Master Lessor of the premises on which the WINCHELL'S Donut Shop is located. In particular, FRANCHISEE shall not attempt to enter into a new or extended lease for the donut shop with the Master Lessor upon termination of the Franchise. In the event of a breach of this covenant, in addition to all other remedies of YUM YUM, YUM YUM shall have the option to require FRANCHISEE to assign any lease or other agreement made by FRANCHISEE directly or indirectly with the Master Lessor.
11. PARTIAL AND TOTAL TAKING. If the premises are totally or partially taken by condemnation, this Lease shall terminate on the date of the taking. The entire condemnation award, including any award by reason of the value of the business being conducted on the premises, shall be paid to Yum Yum (less such portion which is awarded to the landlord of the premises).

12. NO RIGHT OF FIRST REFUSAL. FRANCHISEE has no right of first refusal to purchase or lease under the Master Lease. YUM YUM reserves and retains all such rights under the Master Lease, if any.

13. GENERAL.

a. This Agreement may not be assigned, transferred, or sub-sublet by FRANCHISEE except upon the prior written consent of YUM YUM, which may be withheld in its sole discretion. Subject to that prohibition, this Agreement is binding upon and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto. Franchisee understands, acknowledges, and agrees that Yum Yum entered into this Sublease in reliance upon and in consideration that this Sublease is personal to Franchisee, and non-transferrable. Franchisee shall have no right to assign or sublet the premises or any portion thereof nor to pledge, mortgage, hypothecate or encumber this Sublease in any manner except with the prior written consent of YUM YUM, which may be withheld in its sole discretion. Any purported assignment, transfer, sub-sublease, pledge, mortgage, hypothecation or encumbrance that YUM YUM has not so consented to shall be void and of no force or effect and this Sublease shall automatically terminate upon such event.

b. This Agreement may not be amended or altered in any manner unless such amendment or alteration is in writing and signed by the party to be bound thereby.

YUM YUM DONUT SHOPS, INC.

By: _____
For Yum Yum Donut Shops, Inc. DATE

FRANCHISEE

By: _____
Franchisee Signature DATE

EXHIBIT 6
PROMISSORY NOTE #1
(SECURITY DEPOSIT)
(Interest Included)

\$_____ City of Industry, California _____, 20____

In installments as herein stated, for value received, I promise to pay to YUM YUM DONUT SHOPS, INC., or order, at such place designated by the holder hereof the sum of _____ dollars (\$_____) with interest from _____ on unpaid principal at the rate of ten percent (10%) per annum; principal and interest payable in installments of _____ dollars (\$_____) or more on the same day of each week, beginning on the _____ day of _____, 20____, payable in 156 equal installments and continuing until said principal and interest have been paid.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Should default be made in payment of any installment when due the whole sum of principal and interest shall become immediately due at the option of the holder of this note. Principal and interest payable in lawful money of the United States.

In the event any payment is received by noteholder ten (10) or more days from its due date, then in such event it shall be subject to a penalty of ten percent (10%) of the installment then due.

Default on the Winchell's Franchise Agreement shall be deemed a default on this promissory note, and default on this promissory shall be deemed a default on the Winchell's Franchise Agreement.

The principal may be prepaid without penalty.

Borrower (print name)

Signature

EXHIBIT 7
PROMISSORY NOTE #2
(SUPPLY INVENTORY, SMALL EQUIPMENT & 1ST WEEK'S CHARGES)
(INTEREST INCLUDED)

\$ _____ Industry, California _____, 20____

In installments as herein stated, for value received, I promise to pay to YUM YUM DONUT SHOPS, INC., or order, at such place designated by the holder hereof the sum of _____ dollars (\$ _____) with interest from _____, 20____ on unpaid principal at the rate of ten percent (10%) per annum; principal and interest payable in installments of fifty dollars (\$50.00) or more on the same day of the week, beginning on the _____ day of _____, payable in _____ equal weekly installments and one final payment of _____ dollars (\$ _____) and continuing until said principal and interest have been paid.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Should default be made in payment of any installment when due the whole sum of principal and interest shall become immediately due at the option of the holder of this note. The principal and interest are payable in lawful money of the United States. If action be instituted on this note, I promise to pay such sums as the Court may affix as attorney's fees.

In the event any payment is received by noteholder ten (10) or more days from its due date, then in such event it shall be subject to a penalty of ten percent (10%) of the installment then due.

Default on the Winchell's Franchise Agreement shall be deemed a default on this promissory note, and default on this promissory note shall be deemed a default on the Winchell's Franchise Agreement.

The principal may be prepaid at any time without penalty.

Small EQ

Sales Tax

Supply Inv

1st Payment

EXHIBIT 9
COMPANY-OWNED OUTLETS: PAST FRANCHISEE INFORMATION

TABLE A – YUM YUM

FRANCH. NUMBER	FRANCHISEE NAME	ADDRESS	CITY	STATE	ZIP CODE	HOME PHONE	FRANCHISEE OPERATED		REASON	FRANCHISOR OPERATED	
							START	TERMINATE		START	TERMINATE
9225A	RUDY A SOLARES	1335 S. MAGNOLIA AVE.	ANAHEIM	CA	92804	(714)761-9083	2/9/05	6/30/21	termination		
62D	JOSE M. SOLARES	3050 W. BALL RD., #78	ANAHEIM	CA	92804	(714)491-3527	5/26/04	9/28/22	termination		
9042A	SAMIA M. ABDALLA	115 SAN MIGUEL DR.	ARCADIA	CA	91007	(626)254-0144	1/14/09	8/14/19	termination		
9311E	JULIA SANTOS	13694 BRACKEN ST.	ARLETA	CA	91331	(818)810-9088	12/17/14	6/22/22	termination		
38H	HERMAN F. SOLARES	936 W. HOLLYVALE ST.	AZUSA	CA	91702	(626)391-7612	1/31/07	6/29/22	termination	6/29/22	8/31/22
50C	MARIA ESPINOZA BRAVO	14521 CLARK ST., #15	BALDWIN PARK	CA	91706	(951)241-2672	3/17/21	3/9/22	termination		
9319H	JAVIER SAUCEDO	8315 VAREL AVE., #9	CANOGA PARK	CA	91304	(818)399-5899	6/23/21	12/28/22	termination		
9128D	NANCY GARCIA	5701 PARK DR.	CHINO HILLS	CA	91709	(562)833-4626	2/19/20	9/23/20	termination		
514E	JOANNA OROZCO	584 ANITA ST., APT. 584-3	CHULA VISTA	CA	91911	(909)665-8362	4/11/18	12/9/20	termination		
67G	CESAR A. HERNANDEZ	13962 GARDENIA CT.	CORONA	CA	92880	(951)475-0359	3/3/21	6/23/21	termination		
9042E	EDDY M. DEL CID LEMUS	1410 N. GRAND AVE., APT. M	COVINA	CA	91724	(951)250-4437	3/15/23	9/20/23	termination		
9198E	RICARDO DELGADO	4813 LIVE OAK ST.	CUDAHY	CA	90201	(323)535-4106	3/1/17	3/17/21	termination		
9042B	ELIZABETH AGUIRRE	23601 GOLDEN SPRINGS DR., #A1	DIAMOND BAR	CA	91765	(909)727-0347	8/14/19	8/18/21	termination		
25J	CARLOS H. RIVAS	8541 BOYSON AVE.	DOWNEY	CA	90242	(562)659-2218	7/24/13	2/27/19	termination		
9211C	SANDRA GONZALEZ	9250 CITRUS AVE., #B	FONTANA	CA	92335	(909)753-4230	12/5/12	8/18/21	termination		
9013C	DELMY TORRES	1027 VIRGINIA PL., APT A	GLENDALE	CA	91204	(626)986-3008	12/28/22	10/25/23	termination		
9471H	DELMY CRISTINA TORRES AYALA	1027 VIRGINIA PL., APT A	GLENDALE	CA	91204	(562)786-9853	9/18/19	9/22/21	termination		
9013B	LUIS ACUNA	1027 VIRGINIA PL., APT A	GLENDALE	CA	91204	(626)264-0794	9/25/19	12/28/22	termination		
9042D	KRISTIAN G. DAVILA	5242 ODELL ST.	JURUPA VALLEY	CA	92509	(909)745-6772	9/22/21	3/15/23	termination		
9499A	MARIA G. LEVINE	3303 E AVE., #K-4	LANCASTER	CA	93535	(661)946-6868	4/20/05	11/2/22	termination		
9026G	NATALIE CORREA	16629 WITZMAN	LA PUENTE	CA	91744		7/11/18	6/23/21	termination		
9471F	NORMA MENDEZ ALVAREZ	2904 W. 14 TH ST., #12	LOS ANGELES	CA	90006	(323)472-7080	1/31/18	2/27/19	termination		
9471G	SOFIA MORALES	225 SOUTH AVE., #55	LOS ANGELES	CA	90042	(323)616-0022	2/27/19	9/18/19	termination		

FRANCH. NUMBER	FRANCHISEE NAME	ADDRESS	CITY	STATE	ZIP CODE	HOME PHONE	FRANCHISEE OPERATED		REASON	FRANCHISOR OPERATED	
							START	TERMINATE		START	TERMINATE
71	SALVADOR MATA	3101 DIVISION ST.	LOS ANGELES	CA	90065	(213)227-8465	6/17/92	10/9/19	termination		
9235C	ERVIN J. MAZARIEGOS MENDEZ	2904 W. 14TH ST., #2	LOS ANGELES	CA	90006	(323)840-4260	3/28/18	4/1/20	termination		
9147E	RENE A. TOBAR	1703 W. 109TH PL.	LOS ANGELES	CA	90045	(213)238-8039	10/25/17	7/29/20	termination		
9147F	IRMA GONZALEZ	8459 AVALON BLVD.	LOS ANGELES	CA	90003	(323)618-7721	7/29/20	6/16/21	termination		
9163E	CESAR MARTINEZ	3056 LEEWARD AVE., APT #211	LOS ANGELES	CA	90005	(323)743-6325	3/25/15	6/30/21	termination		
9044D	MARIA BARRIOS	3690 LYNWOOD RD.	LYNWOOD	CA	90262	(562)616-4198	6/20/12	2/22/23	termination		
620E	MARGARITA CHAVEZ DE SIC	23585 AVE 17	MADERA	CA	93637	(559)975-3052	7/13/16	4/15/20	termination		
73L	MARIBEL ROSALES	10527 50TH ST.	MIRA LOMA	CA	91752	(909)268-4938	11/28/12	5/22/19	termination		
9042C	SAMANTHA I. HERNANDEZ	617 N. ALHAMBRA AVE., #C	MONTEREY PARK	CA	91755	(626)331-5137	8/18/21	9/22/21	termination		
9105B	ALMA ESTRADA	1821 E. DIVISION ST.	NATIONAL CITY	CA	91950	(619)263-3525	2/10/10	2/27/19	termination		
502E	BLANCA L. SANCHEZ	1136 E. 3RD ST.	NATIONAL CITY	CA	91950	(619)417-4437	6/5/13	7/21/21	termination		
9328A	ALBA PATINO	9140 BURNET AVE., #2	NORTH HILLS	CA	91343	(818)892-0573	2/10/10	6/16/21	termination		
9449A	JAVIER CARRILLO	9201 SEPULVEDA BLVD. #22	NORTH HILLS	CA	91343		12/12/12	10/18/23	termination		
9128C	JOSE VALENTIN SOLARES	11423 FAIRFORD AVE.	NORWALK	CA	90650	(562)868-0491	8/27/14	6/15/19	termination	6/15/19	2/19/20
517G	SANDRA CADENAS	220 N. EL CAMINO REAL #63	OCEANSIDE	CA	92054	(760)439-4619	3/9/05	12/15/21	termination		
9520B	JOSE LUIS ORTIZ	38300 30TH ST. E. #216	PALMDALE	CA	93550	(661)236-5485	12/5/12	7/31/19	termination		
9319G	MARIA J. ALVARENGA	8465 VENTURA CANYON #107	PANORAMA CITY	CA	91402	(818)912-9213	3/30/16	6/23/21	termination		
9337B	DULCE SANTIZO	17000 1/2 PASSAGE AVE.	PARAMOUNT	CA	90723	(562)361-6805	1/31/18	3/10/21	termination	3/10/21	Present
50D	JAIME A. HERNANDEZ	514 CHAMPLAIN AVE.	PASADENA	CA	91103	(626)714-9071	3/9/22	2/1/23	termination		
9013A	DELMY CRISTINA TORRES	9556 FOXBURY WAY	PICO RIVERA	CA	90660	(562)485-1887	12/19/12	9/25/19	termination		
9211D	ANDRES G. MERCADO	4123 ZOLA ST.	PICO RIVERA	CA	90660		8/18/21	11/1/23	termination		
9399B	MIREYA GABER	201 E. CHAPMAN #52N	PLACENTIA	CA	92870	(714)528-1054	10/31/07	3/27/19	termination		
67F	MARIA E. ARROYO	4631 HEDRICK AVE., APT #118	RIVERSIDE	CA	92505	(951)288-3558	5/30/18	11/4/20	termination	11/4/20	3/3/21
9326B	ANA P. GUERRA	1258 W. ROSAMOND, #20	ROSAMOND	CA	93560	(661)972-7683	5/19/10	12/4/19	termination		
9866A	JAVIER GARIBAY-SANCHEZ	15 NOGAL CIRCLE	SALINAS	CA	93905	(831)754-3070	2/10/10	10/11/23	termination		
50B	GREGORIO OROZCO	2686 W. MILL ST.	SAN BERNARDINO	CA	92410	(951)206-8035	3/6/13	3/17/21	termination		

FRANCH. NUMBER	FRANCHISEE NAME	ADDRESS	CITY	STATE	ZIP CODE	HOME PHONE	FRANCHISEE OPERATED		REASON	FRANCHISOR OPERATED	
							START	TERMINATE		START	TERMINATE
9278A	FRANCISCO GUEVARA	4181 EUCLID AVE.	SAN DIEGO	CA	92105		3/16/05	3/18/20	deceased	3/18/20	10/7/20
502F	BRYAN E. ACEVEDO MEJIA	654 E. SAN YSIDRO BLVD., #535	SAN YSIDRO	CA	92173	(619)373-6478	7/21/21	12/6/23	termination		
504	YOLANDA VALADEZ	710 E. SAN YSIDRO BLVD., #669	SAN YSIDRO	CA	92173	(619)233-5637	6/17/92	9/2/20	termination		
9105C	LETICIA S. GARCIA	3173 BANCROFT DR., SPC 14	SPRING VALLEY	CA	91977	(619)250-2541	2/27/19	1/8/20	termination	1/8/20	1/15/20
614C	SONIA MARQUAND	3218 BONNIE LANE	STOCKTON	CA	95204	(209)474-3049	3/30/16	1/16/19	termination		
9311F	PATRICIA MENDIZABAL	8231 WYNGATE ST., APT 17	SUNLAND	CA	91040	(626)759-6547	6/22/22	12/7/22	termination		
41C	JOSE B. SOLARES JENNIFER L.	13596 HERRON ST.	SYLMAR	CA	91342		2/14/01	4/8/20	termination	4/8/20	Present
504B	HERNANDEZ LOREDO	5772 GARDEN GROVE BLVD.	WESTMINSTER	CA	92683		9/2/20	11/15/23	termination		
9031A	ERIKA AVALOS	7422 VANPORT AVE.	WHITTIER	CA	90606	(562)692-8397	2/10/10	11/30/22	store closed		

TABLE B – WINCHELL'S FRANCHISING, LLC

FRANCH. NUMBER	FRANCHISEE NAME	ADDRESS	CITY	STATE	ZIP CODE	HOME PHONE	FRANCHISEE OPERATED		REASON	FRANCHISOR OPERATED	
							START	TERMINATE		START	TERMINATE
487A	SEBAH AZIZ	7930 SHERIDAN BLVD.	ARVADA	CA	80003	(303)428-3277	5/30/05	12/27/23	termination		
144A	SAMI SALHI	233 S. NEWARK CIRCLE	AURORA	CO	80012	(720)989-4379	8/15/07	1/16/19	termination		
349A	T. BENBELKACEM & S. CHAFAI	6550 E. EVANS	DENVER	CO	80224		6/29/11	6/28/21	termination		
9172B	SLIMANE OUACHEM & SK INC.	3150 S. TAMARAC DR., APT. C204	DENVER	CO	80231	(720)355-3307	7/1/22	11/9/22	termination		
313	DONUTS OF LAS VEGAS	3031 W. HORIZON RIDGE, #100	HENDERSON	NV	89052	(702)564-6701	7/17/99	2/9/23	termination		
903	DONUTS OF LAS VEGAS	3031 W. HORIZON RIDGE, #100	HENDERSON	NV	89052	(702)564-6701	4/6/11	12/23/20	termination		
877	AMIGOS (GROWTH MGMT)	4200 S. 14 TH ST.	LINCOLN	NE	68502	(402)488-8500	10/20/04	1/6/21	termination		
878	AMIGOS (GROWTH MGMT)	4200 S. 14 TH ST.	LINCOLN	NE	68502	(402)488-8500	10/20/04	1/6/21	termination		
885	AMIGOS (GROWTH MGMT)	4200 S. 14 TH ST.	LINCOLN	NE	68502	(402)488-8500	10/20/04	1/6/21	termination		
882	AMIGOS (GROWTH MGMT)	4200 S. 14 TH ST.	LINCOLN	NE	68502	(402)488-8500	10/20/04	1/6/21	termination		

FRANCH. NUMBER	FRANCHISEE NAME	ADDRESS	CITY	STATE	ZIP CODE	HOME PHONE	FRANCHISEE OPERATED		REASON	FRANCHISOR OPERATED	
							START	TERMINATE		START	TERMINATE
9571	GABRIEL ARMAS	2905 S. 120 TH ST.	OMAHA	NE	68144	(402)813-8306	2/15/06	4/1/20	termination		
901	MANUEL MARTINEZ	78395 VARNER RD., SUITE C	PALM DESERT	CA	92211	(760)219-8749	3/30/11	6/23/21	termination		
144B	JUAN V. LOPEZ	1852 BRAEMORE DR.	RENO	NV	89521		1/16/19	7/29/20	termination		
9172	MARK NAMEH	470 EAST 134 TH AVE.	THORNTON	CO	80241	(303)332-5690	3/15/05	7/1/22	termination		
331A	HASSAN BATIKA	6801 W. COLFAX	LAKEWOOD	CO	80214	(303)232-4789	4/18/11	8/1/22	termination		

EXHIBIT 10

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

1. State Authorities

California Commissioner
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(866) -275-2677
www.dfpi.ca.gov
[Email: Ask.DFPI@dfpi.ca.gov](mailto:Ask.DFPI@dfpi.ca.gov)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98507-9033

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 34804
Salt Lake City, Utah 84145-0804
(801) 530-6601

Division of Securities
South Dakota Department of Commerce and Regulation
118 West Capital Avenue
Pierre, South Dakota 57501-2000

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana Securities Commission
302 W. Washington Street
Room E-111

Indianapolis, Indiana 46204

Indiana Secretary of State
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204

2. Registered Agent for Services of Process

Agent Name	Street Address 1	Street Address 2	City	State	Zip
The Prentice-Hall Corporation System, Inc.	801 West 10th Street	Suite 300	Juneau	AK	99801
Corporation Service Company	120 East Fourth Street		Little Rock	AR	72201
Corporation Service Company	818 East Osborn Road		Phoenix	AZ	85014
Corporation Service Company	2730 Gateway Oaks Drive	Suite 100	Sacramento	CA	95833
Corporation Service Company	1900 W. Littleton Blvd.		Littleton	CO	80120
The Prentice-Hall Corporation System, Inc.	50 Weston Street		Hartford	CT	06120
The Prentice-Hall Corporation System, Inc.	1090 Vermont Avenue, N.W.		Washington	D.C.	20005
Corporation Service Company	2711 Centerville Road	Suite 400	Willmington	DE	19808
WE DO NOT HAVE A REPRESENTATIVE IN FLORIDA YET.				FL	
The Prentice-Hall Corporation System, Inc.	40 Technology Pkwy South	#300	Norcross	GA	30092
PHCS Hawaii, Inc.	1001 Bishop Street, Suite 1600,	Pauahi Tower	Honolulu	HI	96813
The Prentice-Hall Corporation System, Inc.	729 Insurance Exchange Bldg		Des Moines	IA	50309
Corporation Service Company	1401 Shoreline Drive	Suite 2	Boise	ID	83702
The Prentice-Hall Corporation System, Inc.	33 North LaSalle Street		Chicago	IL	60602
The Prentice-Hall Corporation System, Inc.	251 East Ohio Street	Suite 500	Indianapolis	IN	46204
Corporation Service Company	200 S.W. 30th Street		Topeka	KS	66611
The Prentice-Hall Corporation System, Inc.	421 West Main Street		Frankfort	KY	40601
The Prentice-Hall Corporation System, Inc.	701 South Peters Street	Second Floor	New Orleans	LA	70130
The Prentice-Hall Corporation System, Inc.	84 State Street		Boston	MA	02109
The Prentice-Hall Corporation System, Inc.	11 East Chase Street		Baltimore	MD	21202
The Prentice-Hall Corporation System, Inc.	45 Memorial Circle		Augusta	ME	04330
The Prentice-Hall Corporation System, Inc.	601 Abbott Road		East Lansing	MI	48823
Corporation Service Company	33 South Sixth Street	Mulifoods Tower	Minneapolis	MN	55402
CSC - Lawyers Incorporating Service Company	221 Bolivar Street		Jefferson City	MO	65101
The Prentice-Hall Corporation System, Inc.	506 South President Street		Jackson	MS	39201
The Prentice-Hall Corporation System, Inc.	26 West Sixth Avenue	P.O. Box 1691	Helena	MT	59624
The Prentice-Hall Corporation System, Inc.	327 Hillsborough Street		Raleigh	NC	27603

ND

NE

NH	03301
NJ	08628
NM	87501
NV	89706
NY	12207
OH	43215
OK	73159
OR	97301
PA	17110
RI	02903
SC	29201
SD	57501
TN	37203
TX	78701

UT 84133

VA

VT	05602
WA	98501
WI	53703
WV	25301
WY	82001

EXHIBIT 11

LIST OF REGULATIONS SPECIFIC TO THE OPERATION OF A YUM YUM UNIT OR WINCHELL'S UNIT

You should be aware of the following equipment and other requirements of governmental authorities which may impact the operation of your Unit:

1. Donut fryers require Type 1 hood and filter system.
2. Grease traps or interceptors are required at all locations.
3. All equipment must be NSF and UL approved.
4. Ansul (Fire Safety) system in hood.
5. Handicapped restrooms, ramp and parking required, and any other applicable requirements of the Americans with Disabilities Act and state law.
6. Glass or plexi-glass cover required for each product display.

There are other laws and/or regulations applicable to the operation of your Unit that you are solely responsible for determining and with which you must fully comply in order to legally conduct your franchise business in the state of California. These laws may be regulated by local, state and federal agencies, including but not limited to: County and City Health Departments, Federal and State Occupational Safety and Health Administration, United States Immigration and Customs Enforcement, Internal Revenue Service, State Franchise Tax Board, State Board of Equalization, your City's – Business License and City Ordinances, U.S. Equal Employment Opportunity Commission, Employment Development Department, Department of Industrial Relations and Department of Labor.

You shall, at your sole cost and expense, comply with all of the laws, regulations and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the operation of your Unit.

EXHIBIT 12

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is entered into this ____ day of _____ 20____, by and between YUM YUM DONUT SHOPS, INC., a California corporation ("Discloser") and _____ ("Receiver").

1. Purpose. The purpose of this Agreement is to set forth the rights and obligations of the parties with respect to the use, handling, protection, and safeguarding of information which is disclosed by and between the parties hereto relating to the opening and operation of a Yum Yum donut shop (defined herein as a "Unit").

2. Confidential Information.

a. General Definition. The information to be disclosed hereunder contains information that Discloser regards as proprietary and confidential and may include, without limitation, financial data, product plans, costs, prices, names, business or marketing plans, historical operational data, manufacturing processes, business opportunities, technical data, computer programs, machinery and equipment, systems, products, projects, price lists, research and development data, customer identities and technical and business materials (collectively, the "Confidential Information"). Confidential Information may include information in written, oral or machine readable form, and shall be deemed confidential hereunder regardless of the presence or absence of any stamp or other designation of confidentiality accompanying such information.

b. Exclusions. Confidential Information shall be deemed to exclude information that:

- (1) Is in, or becomes in, the public domain without violation of this Agreement by the Receiver, or
- (2) Was known to Receiver prior to disclosure thereof to Receiver by Discloser as evidenced by written records; provided Receiver gives Discloser written notice and evidence of such prior knowledge within five (5) working days after receiving otherwise Confidential Information, or
- (3) Is disclosed to the Receiver by a third party under no obligation of confidentiality to Discloser and without violation of this Agreement by Receiver.

3. Term. The duties and obligations of Receiver shall remain in full force and effect for so long as and after Receiver ceases to operate a Unit.

4. Disclosure; Copies. Receiver shall not, without the prior written consent of Discloser, (a) disclose such Confidential Information to any person, company or entity (including

any parent, subsidiary or affiliate firm or corporation), other than Receiver's directors, officers, employees, agents and representatives who need to know the Confidential Information for the purpose contemplated hereby, or (b) copy, photograph or make other copies or drawings of the Confidential Information.

5. Use. Receiver will not sell, utilize, implement, appropriate or otherwise use the Confidential Information for any purpose whatsoever, or permit the use of the Confidential Information by others for any purpose whatsoever, without the express written permission of Discloser, except as permitted under Section 4 above.

6. Forced Disclosure. Notwithstanding any other provisions in this Agreement, Receiver may disclose Confidential Information to the extent required by any applicable law, regulation, or court or governmental order; provided that Receiver gives the Discloser reasonable advance written notice of any such disclosure or any request or demand for such disclosure.

7. Safeguards Against Unauthorized Disclosure. Receiver agrees to treat the Confidential Information with no less than the same degree of care it would reasonably exercise for the protection of its own valuable trade secrets. Receiver shall use its best efforts to ensure that all directors, officers, employees, agents and representatives to whom Confidential Information is disclosed take all reasonable precautions to safeguard and preserve the confidential status of said Confidential Information. Receiver will ensure that any such directors, officers, employees, agents and representatives are covered by similar confidential disclosure agreements to prevent the unauthorized disclosure or use of the Confidential Information.

8. Return of Information. Receiver acknowledges and agrees that all Confidential Information furnished hereunder shall be and remain the property of Discloser. Upon demand, any and all Confidential Information and copies thereof must be returned to Discloser.

9. NO WARRANTY. Discloser makes no warranty, guarantee or representation, either express or implied, with respect to any information disclosed hereunder. DISCLOSER SHALL NOT BE LIABLE, IN ANY MANNER, AS A RESULT OF RECEIVER'S USE OF OR RELIANCE ON SUCH INFORMATION.

10. Enforcement. Receiver acknowledges and agrees that disclosure or misappropriation of Confidential Information in violation of this Agreement may cause Discloser irreparable harm, the effect of which may be difficult to ascertain, and agrees therefore that Discloser shall be entitled to injunction and/or specific performance in addition to all other remedies otherwise available to Discloser at law and/or equity. If it becomes necessary to enforce the terms of this Agreement, Receiver shall be obligated to pay any and all costs reasonably incurred by Discloser in pursuing such enforcement, including attorneys' fees, court costs, collection costs and any and all costs incurred. In addition, Receiver agrees to indemnify Discloser against any and all losses, damages, claims or expenses incurred or suffered by Discloser as a result of Receiver's breach of this Agreement.

11. Waiver. The failure of any party in any one or more instances to insist upon strict performance of any of the terms or provisions of this Agreement, or to exercise any option herein

conferred, shall not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms, provisions or options on any future occasion.

12. Severability. Any provision of this Agreement which is rendered unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective any or all of the remaining provisions of this Agreement.

13. Choice of Law; Venue. This Agreement shall be governed by the laws of the State of California, and the parties hereto agree that the venue of any action arising in regard to this Agreement shall be Los Angeles, California, and the parties hereto agree to the jurisdiction and venue of the courts of said state and county to the exclusion of any other courts which otherwise may have had jurisdiction.

14. Assignment; Successors. None of the rights created under this Agreement may be assigned by Receiver without the prior written consent of Discloser. This Agreement shall be binding upon and inure to the benefit of Discloser, its successors and assigns, and Receiver and its successors and permitted assigns.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties in regard to the confidentiality of matters disclosed pursuant to this Agreement, supersedes any prior oral or written representations in regard to said matters and may not be modified, except in writing, signed by all parties hereto.

"Receiver"

"Discloser"

YUM YUM DONUT SHOPS, INC.
a California corporation

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT 13
CA STATE APPENDIX

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

- A. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.
- B. Neither franchisor nor any person in Item 2 of the FDD is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
- C. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the CA Commissioner of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
- D. California Business and Professions Code Sections 20000 through 20043 provide rights to a franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- E. 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.).
- F. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- G. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- H. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.
- I. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- J. The franchise agreement requires binding arbitration. The arbitration will occur in Los Angeles, California with the costs being borne equally by Yum Yum and the franchisee. 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 law.

- K. The franchise agreement requires application of the laws of California. This provision may not be enforceable under California law.
- L. OUR WEBSITE (www.winchells.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

EXHIBIT 14
BAKING AND RECIPE MANUALS
TABLE OF CONTENTS

- (1) DONUT BAKING AND RECIPE MANUAL - TABLE OF CONTENTS – 77 pages
- (2) DELI SANDWICH RECIPE MANUAL - TABLE OF CONTENTS - 42 pages

DONUT BAKING AND RECIPE MANUAL – 77 pages
TABLE OF CONTENTS

PART 1
SHOW CASE DISPLAY – 1 page

- 1 a. CASE DIAGRAM – 6 X 5 FRONT – 1 page

PART 2
OATMEAL – 1 page

- 2 a. OATMEAL PROCEDURES – 1 page

PART 3
MUFFINS – 21 pages

- 3 a. MUFFIN BASE RECIPE – 1 page
- 3 b. TRAIL MIX MUFFINS – 1 page
- 3 c. BACON JALAPENO CHEDDAR MUFFINS– 1 page
- 3 d. APPLE SPICE MUFFINS– 1 page
- 3 e. BANANA NUT MUFFINS– 1 page
- 3 f. BLUEBERRY MUFFINS– 1 page
- 3 g. BRAN MUFFINS – 1 page
- 3 h. CARROT CAKE MUFFINS – 1 page
- 3 i. CHOCOLATE CHIP MUFFINS – 1 page
- 3 j. CHOCOLATE BROWNIE MUFFINS – 1 page
- 3 k. CRANBERRY NUT MUFFINS – 1 page
- 3 l. CRANBERRY ORANGE MUFFINS – 1 page
- 3 m. CREAM CHEESE MUFFINS – 1 page
- 3 n. LEMON POPPY SEED MUFFINS – 1 page
- 3 o. MAPLE GRANOLA MUFFINS – 1 page
- 3 p. PINEAPPLE COCONUT MUFFINS – 1 page
- 3 q. PINEAPPLE CREAM CHEESE MUFFINS – 1 page
- 3 r. PINEAPPLE UPSIDEDOWN MUFFINS – 1 page
- 3 s. PUMPKIN CHEESE MUFFINS – 1 page
- 3 t. PUMPKIN NUT MUFFINS – 1 page
- 3 u. HOMESTYLE/HOLIDAY BREADS – 1 page

PART 4
ICINGS & TOPPINGS – 3 pages

- 4 a. GLAZE & ICINGS – 1 page
- 4 b. CINNAMON CRUMB TOPPING – 1 page
- 4 c. PEANUT BUTTER ICING – 1 page

PART 5
DONUTS RAISED – 4 pages

- 5 a. WATER TEMPERATURE CHART – 1 page
- 5 b. PRODUCT WEIGHT AND SPECIFICATION CHART– 1 page
- 5 c. RAISED DONUTS – 1 page
- 5 d. CINNAMON ROLLS – 1 page

PART 6
DONUTS CAKE – 6 pages

- 6 a. CAKE DONUTS – 1 page
- 6 b. CAKE DONUTS HOLES – 1 page
- 6 c. BLUEBERRY CAKE DONUTS – 1 page
- 6 d. CHOCOLATE CAKE DONUTS – 1 page
- 6 e. PUMPKIN DONUTS – 1 page
- 6 f. WHEAT AND SPICE DONUTS – 1 page

PART 7
DONUTS FANCY – 6 pages

- 7 a. FRITTERS – APPLE – 1 page
- 7 b. FRITTERS – BLUEBERRY – 1 page
- 7 c. FRITTERS – PINEAPPLE – 1 page
- 7 d. BEAR CLAWS – 1 page
- 7 e. BUTTERFLIES – 1 page
- 7 f. HORSESHOE – 1 page

PART 8
DONUTS MISC – 8 pages

- 8 a. BUTTERMILK BARS – 1 page
- 8 b. OLD FASHIONED DONUTS – 1 page
- 8 c. FRENCH DONUTS – 1 page
- 8 c. PUFFIES – 1 page
- 8 d. CRONAS CROISSANT DONUT – 1 page
- 8 e. ECLAIRS – 1 page
- 8 f. FRUIT BURRITOS – CHERRY CHEESE – 1 page
- 8 g. FRUIT BURRITOS – APPLE – 1 page

PART 9
BAKED GOODS – 10 pages

- 9 a. CINNAMONS BUNS – 1 page
- 9 b. CINNAMON CRUNCH COFFEE CAKE – 1 page
- 9 c. CROISSANTS – EXTRA LARGE CROISSANT – 1 page
- 9 d. MINI CROISSANTS – 1 page
- 9 e. FILLED CROISSANTS – 1 page

- 9 f. CUSTARD RAISIN ROLL – 1 page
- 9 g. MACAROON COOKIES – 1 page
- 9 h. QUESADILLA BREAD – 1 page
- 9 i. STICKY BUNS – 1 page
- 9 j. TELERA ROLLS – 1 page

PART 10
SPECIALTY DRINKS – 17 pages

- 10 a. CHILLA – MOCHA CAPPUCCINO – 1 page
- 10 b. CHILLA – MOCHA CARAMEL CAPPUCCINO – 1 page
- 10 c. CHILLA – MOCHA CHIP – 1 page
- 10 d. CHILLA – FRENCH VANILLA CAPPUCCINO – 1 page
- 10 e. CHILLA – FRENCH VANILLA CARAMEL CAPPUCINO – 1 page
- 10 f. CHILLA – CHA-MANGO – 1 page
- 10 g. CHILLA – COOKIES & CREAM – 1 page
- 10 h. CHILLA – PINA COLADA – 1 page
- 10 i. CHILLA – STRAWBERRY BANANA– 1 page
- 10 j. CHILLA – TROPICAL – 1 page
- 10 k. CHILLA – PUMPKIN – 1 page
- 10 l. JUICE – 1 page
- 10 m. COFFEE – ICED– 1 page
- 10 n. HOT COFFEE – FLAVORED – PUMPS – 1 page
- 10 o. LICUADOS – 1 page
- 10 p. RASPADOS – 1 page
- 10 q. FLAVORED LEMONADE – 1 page

DELI SANDWICH RECIPE MANUAL – 42 pages
TABLE OF CONTENTS

PART 1
YUM YUM DONUTS/WINCHELL'S DELI – 35 pages

- 1 a. SANDWICH INGREDIENT PREPARATION – 1 page
- 1 b. LIQUID EGG MIXTURE FOR BREAKFAST SANDWICHES & BURRITOS – 1 page
- 1 c. BREAKFAST BOWLS – 1 page
- 1 d. EGG & CHEESE – 1 page
- 1 e. HAM EGG & CHEESE – 1 page
- 1 f. BACON EGG & CHEESE – 1 page
- 1 g. SAUSAGE EGG & CHEESE – 1 page
- 1 h. CHIPOTLE – 1 page
- 1 i. CHORIZO – 1 page
- 1 j. RANCHERO – 1 page
- 1 k. HOT WRAPS – 1 page
- 1 l. DELI COLD VEGGIE – 1 page
- 1 m. DELI COLD BLTCC – 1 page
- 1 n. DELI COLD BLACK FOREST HAM – 1 page
- 1 o. DELI COLD TURKEY – 1 page
- 1 p. DELI COLD HAM & TURKEY CLUB – 1 page
- 1 q. DELI COLD ALBACORE TUNA SALAD – 1 page
- 1 r. DELI HOT ITORTAS! ASADA/CARNITAS – 1 page
- 1 s. DELI COLD ITORTAS! PIERNA, HAM, TURKEY, CHICKEN – 1 page
- 1 t. DELI ITORTAS! BLACK FOREST HAM – 1 page
- 1 u. DELI ITORTAS! CHICKEN FILLET – 1 page
- 1 v. DELI ITORTAS! PASTRAMI – 1 page
- 1 w. DELI ITORTAS! TURKEY – 1 page
- 1 x. DELI HOT BLACK FOREST HAM – 1 page
- 1 y. DELI HOT TURKEY AVOCADO – 1 page
- 1 z. DELI HOT CHICKEN FILLET – 1 page
- 1 aa. DELI HOT PASTRAMI – 1 page
- 1 ab. EXTREME MELT! BACON AVOCADO – 1 page
- 1 ac. PIZZA BAGELS – 1 page
- 1 ad. EXTREME MELT! BLACK FOREST HAM – 1 page
- 1 ae. EXTREME MELT! TUNA – 1 page
- 1 af. EXTREME MELT! TURKEY BREAST – 1 page
- 1 ag. DELI TURKEY WRAP – 1 page
- 1 ah. DELI CHICKEN FILLET WRAP – 1 page
- 1 ai. DELI TUNA WRAP – 1 page

PART 2
SALADS – 1 page

- 2 a. DELI CHOPPED SALADS – 1 page

PART 3
SPREADS & SAUCES – 6 pages

- 3 a. CREAM CHEESE – 1 page
- 3 b. SAUCES – 1 page
- 3 c. ALBACORE TUNA SALAD – 1 page
- 3 d. RANCHERO SALSA – 1 page
- 3 e. WIN WIN FILLIN' STATION CHICKEN SALAD – 1 page
- 3 f. WIN WIN FILLIN' STATION EGG SALAD – 1 page

EXHIBIT 15

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending

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

EXHIBIT 16

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Yum Yum Donut Shops, Inc. ("Yum Yum") offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Yum Yum does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Department of Financial Protection and Innovation of the State of California, 320 W. Fourth Street, Suite 750, Los Angeles, California 90013-2344.

The name, address and phone number of the individual who offered you a Winchell's franchise is:

Name: MANNY CAMOLINA
Address: 17355 RAILROAD ST.
CITY OF INDUSTRY, CA 91748
Phone: (626)964-1478

The issuance date of the Disclosure Document is April 11, 2024.

Yum Yum authorizes the CA Commissioner of Financial Protection and Innovation at 320 W. 4th St., Suite 750, Los Angeles, CA 90013-2344 to receive service of process for Yum Yum.

I received a Disclosure Document dated April 11, 2024 that included the following exhibits:

Exhibit 1 - Franchise Locations
Exhibit 2 - Financial Statements
Exhibit 3 - Franchise Agreement
Exhibit 4 - Equipment and Leasehold
Improvement Lease

Exhibit 5 – Sublease
Exhibit 6 – Promissory Note #1
Exhibit 7 – Promissory Note #2
Exhibit 8 – Intentionally Omitted

Exhibit 9 – Company-Owned Outlets:
Franchisee Information

Exhibit 10 – List Of State Agencies/
Agents For Service Of
Process

Exhibit 11 – Regulations Applicable To
A Yum Yum/Winchell's Outlet

Exhibit 12 – Confidentiality Agreement

Exhibit 13 – CA State Appendix

Exhibit 14 – Baking and Recipe Manuals Table of Contents

Exhibit 15 – State Effective Dates

Exhibit 16 – Receipt

Date: _____

Store #: _____

Franchisee (Print Name)

Franchisee (Signature)

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Yum Yum Donut Shops, Inc. ("Yum Yum") offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Yum Yum does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Department of Financial Protection and Innovation of the State of California, 320 W. Fourth Street, Suite 750, Los Angeles, California 90013-2344.

The name, address and phone number of the individual who offered you a Winchell's franchise is:

Name: MANNY CAMOLINA
Address: 17355 RAILROAD ST.
CITY OF INDUSTRY, CA 91748
Phone: (626)964-1478

The issuance date of the Disclosure Document is April 11, 2024.

Yum Yum authorizes the CA Commissioner of Financial Protection and Innovation at 320 W. 4th St., Suite 750, Los Angeles, CA 90013-2344- to receive service of process for Yum Yum.

I received a Disclosure Document dated April 11, 2024 that included the following exhibits:

Exhibit 1 - Franchise Locations
Exhibit 2 - Financial Statements
Exhibit 3 - Franchise Agreement
Exhibit 4 - Equipment and Leasehold
Improvement Lease

Exhibit 5 – Sublease
Exhibit 6 – Promissory Note #1
Exhibit 7 – Promissory Note #2
Exhibit 8 – Intentionally Omitted

Exhibit 9 – Company-Owned Outlets:
Franchisee Information

Exhibit 10 – List Of State Agencies/
Agents For Service Of
Process

Exhibit 11 – Regulations Applicable To
A Yum Yum/Winchell's Outlet

Exhibit 12 – Confidentiality Agreement

Exhibit 13 – CA State Appendix

Exhibit 14 – Baking and Recipe Manuals Table of Contents

Exhibit 15 – State Effective Dates

Exhibit 16 – Receipt

Date: _____

Store #: _____

Franchisee (Print Name)

Franchisee (Signature)