

## FRANCHISE DISCLOSURE DOCUMENT



**Parlor Doughnuts Franchising, LLC**  
An Indiana Limited Liability Company

204 Main Street, Suite D  
Evansville, IN, 47708

**812-303-8011**

[www.parlordoughnuts.com](http://www.parlordoughnuts.com)  
[franchising@parlordoughnuts.com](mailto:franchising@parlordoughnuts.com)



Parlor Doughnuts Franchising, LLC (“Parlor Doughnuts” or “Parlor”) offers a franchise for owning and operating craft doughnut and coffee shops offering an array of unique bakery items, including but not limited to our original layered doughnuts; vegan, gluten-friendly, and low-carb/keto-friendly products; artisanal breakfasts; and specialty coffee under the name, “Parlor Doughnuts®.” Our vision is to create an upscale, but accessible, craft doughnut and coffee environment that welcomes all with exceptional customer service.

The total investment necessary to begin operation of one PARLOR DOUGHNUTS® franchise ranges from \$398,000-\$732,000 (excluding a drive-thru window and digital menu). This includes \$40,000 that must be paid to us.

The estimated initial investment necessary to operate multiple Parlor franchises depends on the number of franchises that we grant you. If you enter into a Multi-Unit Development Agreement (“MUDA”), the development fee is equal to 75% of the Initial Franchise Fee (for the second and third franchised businesses) and equal to 50% of the Initial Franchise Fee (for the fourth and additional franchised businesses) that must be paid to us upon signing the MUDA.

This document (“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 fourteen (14) calendar days before you can sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Note, however, that no government agency has verified the information contained in this document.

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paul Bair at 204 Main Street, Suite D, Evansville, IN, 47708, or by email at [franchising@parlordoughnuts.com](mailto:franchising@parlordoughnuts.com), or by phone at 812-303-8011.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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](http://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: March 25, 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:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	<b>Item 19</b> 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 <b>Item 20</b> or <b>Exhibits D</b> and <b>E</b> .
<b>How much will I need to invest?</b>	<b>Items 5</b> and <b>6</b> list fees you will be paying to the franchisor or at the franchisor’s direction. <b>Item 7</b> lists the initial investment to open. <b>Item 8</b> describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	<b>Item 21</b> or <b>Exhibit G</b> includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	<b>Item 20</b> summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Parlor business in my area?</b>	<b>Item 12</b> and the “territory” provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	<b>Items 3</b> and <b>4</b> tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What is it like to be a Parlor franchisee?</b>	<b>Item 20</b> or <b>Exhibits D</b> and <b>E</b> list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider about *This Franchise*

Certain states require the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Indiana. 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 Indiana than in your own state.
2. **Royalty Payments, Advertising and Other Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Confidentiality, Non-Disclosure, and Non-Competition Agreement.** You and your spouse will be required to sign a Confidentiality, Non-Disclosure, and Non-Competition Agreement in the form that is provided by Parlor. These agreements will ensure that the confidential information disclosed to you as part of the Franchise Agreement will remain protected in the event that your spouse learns confidential information during the course of the Franchise Agreement, and will restrict your spouse in the same way you will be restricted when you execute the Franchise Agreement.

**DISCLOSURE APPLICABLE TO FRANCHISEES COVERED BY THE MICHIGAN  
FRANCHISE INVESTMENT LAW**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DISCLOSURE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this Act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - i. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - ii. The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
  - iii. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

- iv. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
  
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).
  
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding the notice should be directed to the State of Michigan Department of Attorney General, Franchise Section – Consumer Protection Division, P.O. Box 30213, Lansing, MI 48909 or by telephone at 517-373-1140.

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### EXHIBITS

- Exhibit A** – List of State Administrators
- Exhibit B** – Franchise Agreement and Exhibits
- Exhibit C** – Multi-Unit Development Agreement and Exhibits
- Exhibit D** – List of Current Franchisees
- Exhibit E** – List of Franchisees Who Have Left the System
- Exhibit F** – Operations Manual-Table of Contents
- Exhibit G** – Audited Balance Sheet for 2021 and Fully Audited Financial Report for 2022 and 2023
- Exhibit H** – List of Agents for Service of Process
- Exhibit I** – State Specific Disclosures and State Specific Addenda to Agreements
- Exhibit J** – Franchise Compliance Certification
- Exhibit K** -- Disclosure Document Receipt (last page of Disclosure Document)

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES APPEAR IN **EXHIBIT I**.

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

To simplify the language in this Disclosure Document, the terms “we”, “our”, or “us” refer to Parlor Doughnuts Franchising LLC, the franchisor of this business. “You” refers to the franchisee, the buyer of the franchise and includes an individual or a corporation, partnership, limited liability company, or other legal entity. If a corporation, partnership or limited liability company buys the franchise, “you” includes each general partner in a partnership, the shareholders, officers or directors of a corporation, or members, officers or managing agents of a limited liability company.

Franchisor

Parlor Doughnuts Franchising, LLC is an Indiana limited liability company that was formed on January 8, 2021 to offer Parlor franchises. Our principal business address is 204 Main Street, Suite D, Evansville, IN, 47708. We conduct business under our corporate name and the name “PARLOR DOUGHNUTS®.”

We do not operate a business of the type being franchised. We are not involved in any other business activities. We have not conducted business in any other line of business, nor have we offered franchises in any other line of business.

Parents, Predecessors, and Affiliates

We do not have any parent companies or predecessors. However, we have eight affiliates.

Parlor Doughnuts, LLC (“Parlor Doughnuts”) was formed in Indiana on January 20, 2019 and has a principal business address of 301 N. Green River Road, Evansville, IN 47715. Parlor Doughnuts, LLC operates a business of the type being franchised in Evansville, Indiana.

Parlor Doughnuts Brands, LLC (“Parlor Doughnuts Brands”) was formed in Indiana on January 18, 2021 and has a principal business address of 204 Main Street, Suite D, Evansville, IN, 47708. Parlor Brands does not operate a business of the type being franchised, but is the Approved Supplier for proprietary and branded products and other approved products for the Franchise System. Parlor Brands activities were shifted to Parlor Doughnuts Franchising, LLC on April 1, 2023.

Parlor Doughnuts of Gulf Coast, LLC (“Parlor Doughnuts of Gulf Coast”) was formed in Indiana on June 26, 2019 and has a principal business address of 191 Miracle Strip Parkway Southeast, Fort Walton Beach, Florida 32548. Parlor Doughnuts of Gulf Coast, LLC operates three businesses of the type being franchised in Fort Walton Beach, Florida, Panama City Beach, Florida, and Miramar Beach, Florida.

Parlor Doughnuts of California, LLC (“Parlor Doughnuts of California”) was formed in Indiana on June 26, 2019 and has a principal business address of 331 N. Cleveland St., Oceanside, California 92054. Parlor Doughnuts of California, LLC operates a business of the type being franchised in Oceanside, California.

Parlor Doughnuts of Colorado, LLC (“Parlor Doughnuts of Colorado”) was formed in Indiana on October 6, 2020 and has a principal business address of 95 Lincoln Street, Denver, CO, 80203. Parlor Doughnuts of Colorado, LLC sold its businesses of the type being franchised in Denver, Colorado and Aurora, Colorado to a franchisee on April 1, 2023.

Parlor Doughnuts of Nashville, LLC (“Parlor Doughnuts of Nashville”) was formed in Indiana on March 2, 2021 and has a principal business address 1720 West End Avenue, Suite 100, Nashville, TN, 37203. Parlor Doughnuts of Nashville, LLC operates two businesses of the type being franchised in Nashville, Tennessee.



Parlor Doughnuts of Bloomington, LLC (“Parlor Doughnuts of Bloomington”) was formed in Indiana on February 28, 2021 and has a principal business address 322 E. Kirkwood, Bloomington, IN 47408. Parlor Doughnuts of Bloomington, LLC operates a business of the type being franchised in Bloomington, Indiana.

The Doughnut Parlor, LLC (“Doughnut Parlor”) was formed in Indiana on January 11, 2023 and has a principal business address of 204 Main Street, Suite D, Evansville, IN 47708. Doughnut Parlor operates a business of the type being franchised.

Our affiliates do not currently offer and have not previously offered franchises in this or any other line of business.

#### Agent for Service of Process

Our agents for service of process are listed on **Exhibit H** of this Disclosure Document.

#### The Business We Offer, the Market, and Competition

We license a system (the “System”) for the operation of a craft doughnut and coffee shop that offers an array of unique bakery items, including but not limited to our original layered doughnuts; vegan, gluten-friendly, and low-carb/keto-friendly products; minis; artisanal breakfasts; and specialty coffee. Our model is unique to the industry through our System, unique offerings, efficient operations, and exceptional customer support. Our System is identified through our trademarks, trade-names, service-marks, logos, designs, and trade-dress that we designate, modify and/or adopt from time to time and, as may or may not be applied for or registered with the United States Patent and Trademark Office (collectively referred to and further defined throughout this document as “Proprietary Marks”).

You may face competition from other doughnut shops, bakeries, and coffee shops. The market for these services is developing. Your ability to compete in this market will be largely and significantly dependent upon your management, your involvement with the franchised business, your financial strength, general economic conditions, geographic area and specific location(s).

#### The Multi-Unit Development Opportunity We Offer

We offer a multi-unit development opportunity whereby you can purchase multiple Parlor franchises. The MUDA will outline a schedule or defined period of time in which you must open and commence operating each Parlor franchise. If we award you the right to become a multi-unit developer, you will be required to sign a Franchise Agreement for the initial franchise you open under the development schedule. You must also pay, in addition to the Initial Franchise Fee for the initial franchised business, 75% of the Initial Franchise Fee for the second and third franchised businesses, and 50% of the Initial Franchise Fee for the fourth and additional franchised businesses.

The current form of the MUDA is attached as **Exhibit C** to this Disclosure Document.

#### Applicable Regulations

The regulations vary from state to state and locality to locality. Most states and localities have specific laws and regulations covering restaurant and food service that may affect the franchised business such as requiring the franchise owner-operator to have certain licenses and certifications. These laws and regulations may impact your franchised business. You are prohibited from providing services or any other activities in violation of applicable state or federal law. Accordingly, you must investigate and comply with all applicable laws and regulations. It is your sole responsibility to thoroughly investigate the

applicable business and licensing rules and regulations of your particular state, city, jurisdiction and location despite any advice or information that we provide to you. Before signing the Franchise Agreement, you should consult with an attorney concerning these and other laws, regulations, ordinances, licenses or permits that may affect the franchised business.

## **ITEM 2 BUSINESS EXPERIENCE**

### Darrick Hayden – Founder and Chief Executive Officer

Darrick Hayden serves as our founder/CEO and is also a founder and one of two managing members of Parlor Doughnuts, LLC. Darrick also has an ownership interest in each of the following affiliates: Parlor Doughnuts Brands, Parlor Doughnuts of California, Parlor Doughnuts of Gulf Coast, Parlor Doughnuts of Nashville, Parlor Doughnuts of Bloomington, and Parlor Doughnuts of Colorado.

Additionally, Darrick served as a Pastor at New Beginnings Christian Fellowship Church in Evansville, Indiana from 1995 through March 2021.

### Josh Tudela – Founder

Josh Tudela serves as our founder and is also a founder and one of two managing members of Parlor Doughnuts, LLC. Josh also has an ownership interest in Parlor Doughnuts Brands and Parlor Doughnuts of Bloomington.

Additionally, Josh is the owner of COMFORT by the Cross-Eyed Cricket located in Evansville, Indiana and the owner of For His Glory Management, LLC located in Evansville, Indiana.

Prior to founding Parlor Doughnuts, LLC, Josh played professional soccer for the Los Angeles Galaxy from 2007 to 2009 and served as the Assistant Men's Soccer Coach for Virginia Commonwealth University from 2009 to 2015.

### Nicole Hunsaker, CPA, MBA – Chief Financial Officer

Nicole Hunsaker serves as our Chief Financial Officer and she has served in this capacity since March 2019. Nicole also serves as the CFO for Parlor and Parlor Doughnuts Brands. She has an ownership interest in each of the following affiliates: Parlor Doughnuts of California, Parlor Doughnuts of Gulf Coast, Parlor Doughnuts of Colorado, and Parlor Doughnuts of Nashville.

Prior to serving as our CFO, Nicole worked as a Plant Accountant for GAF Materials Corp. in Mt. Vernon, Indiana from 2016 to 2019 and as a Tax Accountant for the Myriad CPA Group in Henderson, Kentucky from 2016 to 2018.

### Jennifer Hayden – Brand & Product Development Officer

Jennifer Hayden serves as our Brand and Product Development Officer and she has served in this capacity since Parlor Doughnut's beginning in 2019. She also oversees Parlor Doughnut's brand standards, specialty product development/quality control, and assists with shop design and décor. She also leads our training programs.

Previously, Jennifer served as Director of Financial Aid at Roger's Academy of Hair Design in Evansville, IN from 2002 through 2021.

Paul Bair, CPA, MBA – Chief Development Officer

Paul Bair serves as our Chief Development Officer and he has served in this capacity since August 2020. Paul also has an ownership interest in each of the following affiliates: Parlor Doughnuts of California, Parlor Doughnuts of Colorado, and Parlor Doughnuts of Nashville.

Prior to serving as our CDO, Paul served as the Director of Budgeting for Kentucky Wesleyan College in Owensboro, Kentucky from 2019 to 2020. Previously, Paul served as the Head of School and Chief Financial/Administrative Officer for Evansville Christian School in Evansville, Indiana from 1998 to 2019.

Gordon Werner – Chief Marketing Officer

Gordon Werner serves as our Chief Marketing Officer and he has served in this capacity since May 2023. Prior to serving as our CMO, Gordon owned Franklin Design Co., in Evansville, Indiana from 2017 to 2023. Previously, Gordon served as Brand Manager/Creative Director for banks in the Evansville, Indiana area from 2001 to 2017.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Single-Unit Franchises

Upon execution of a Franchise Agreement, you will pay us a non-refundable initial franchise fee in the amount of \$40,000 (the “Initial Franchise Fee”).

The Initial Franchise Fee is non-refundable and fully earned by us upon execution of the Franchise Agreement.

Multi-Unit Development Agreement

If we award you the right to become a multi-unit developer, you must pay us, in addition to the Initial Franchise Fee for the initial franchised business, 75% of the Initial Franchise Fee for the second and third franchised business under the Development Schedule and 50% of the Initial Franchise Fee for the fourth franchised business under the Development Schedule. The initial fee paid to us pursuant to the MUDA represents the consideration for the right to establish and operate the franchises within the Development Area. The fee is fully earned by us upon signing the MUDA and is nonrefundable.

**ITEM 6  
OTHER FEES**

Type of Fee (See Note 1)	Amount	Due Date	Remarks
Royalty Fee (See Note 2)	5% of Weekly Gross Sales, per franchised business operated by you	Weekly via EFT	The Royalty Fee shall be paid to us by electronic funds transfer (“EFT”) from your bank account through an automatic debit system. Gross Sales means all your revenue from operating the shop, including catering charges. Gross Sales does not include refunds to customers, credits, discounts or the amount of any sales taxes or other similar taxes that Franchisee might be required to collect, and does collect, from customers to be paid to any federal, state, or local taxing authority. Gross Sales also does not include revenue from selling or issuing Parlor gift cards (but your revenue from selling products and services to customers using those gift cards for payment is included in Gross Sales).
National Marketing Fund (see Note 5)	1% of Weekly Gross Sales per franchised business operated by you	Weekly via EFT	Parlor locations owned by us or our affiliates may, but shall not be obligated to, contribute to the Marketing Fund on the same basis as franchisees.
Local Advertising and Community Support	1% of Monthly Gross Sales per franchised business operated by you	As incurred on a monthly basis	You must provide us with monthly reports of your local advertising expenditures by the 10 <sup>th</sup> day after the end of the month.
Relocation Fee	\$5,000	At the time the relocation is approved by us	Payable if you relocate the Approved Location within your Territory.
Transfer Fee under Franchise Agreement	50% of the then-current Initial Franchise Fee	At the time the transfer is approved by us	Payable if you sell, transfer, or assign your franchise.
Transfer Fee under MUDA	50% of the remaining Franchise Fee for each Franchise to be	At the time the transfer is approved by us	Payable if you sell, transfer, or assign your development rights.

Type of Fee (See Note 1)	Amount	Due Date	Remarks
	developed under the MUDA		
Renewal Fee	50% of the then-current Initial Franchise Fee	At the time the renewal is approved by us	Payable if you renew your Franchise Agreement.
Initial Training	Included in Franchise Fee for up to 5 individuals. \$500/person for each additional person	NA	You are responsible for your travel expenses, meals, lodging incurred for your initial training.
Computer Software and Monthly Fees	\$500 per month	As incurred.	Includes the cost of various computer and technology platforms, including but not limited to, the POS system, loyalty reward program, gift card program, and on-line ordering program.
Additional Training Fee (See Note 3)	\$100 per hour	As incurred.	You are also responsible for our travel expenses, meals and lodging that we incur in providing the additional training.
Consulting Assistance (See Note 3)	\$100 per hour	As incurred	You are also responsible for our travel expenses, meals and lodging that we incur in providing the consulting assistance.
Management Fee	25% of monthly Gross Sales	Received by us by the 10 <sup>th</sup> day of the following month	Payable in the event we have to exercise our step-in rights and manage the franchised business on your behalf.
Annual Convention Fee (optional) (See Note 3)	Varies per year based on location	At the time you register for the convention	
Non-Compliance Fines	\$250 to \$1,000 per occurrence for deviations from operational requirements, reporting requirements, and Brand Standards	When Billed	Due, at our option, if you deviate from system requirements for operations, reporting, or Brand Standards.
Unauthorized Advertising Fines	\$500 per occurrence	When Billed	Due if you use unapproved advertising or marketing materials, including influencers and community support activities.

<b>Type of Fee (See Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Audit Costs (See Note 4)	Cost of audit charges	Within 10 days of billing	Payable only if the audit reveals that you understated your Gross Sales by more than 5%.
Late Fee	Ten percent (10%) of the balance due	Upon demand	Payable if any fee or any other amount due to us under the Franchise Agreement is not received by us within 5 days after such payment is due in addition to Interest Charges.
Interest Charges	12% per annum or the maximum allowed by law, whichever is lower	As incurred	Applies to any fee or any other amount due under the Franchise Agreement is not received within 5 days after such payment is due. Also applies to any understatement in amounts due revealed by an audit.
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless or reimburse us if we are held liable for claims resulting from your franchised business's operations.
Costs and Attorney's Fees	All costs and reasonable attorneys' fees	Upon demand	Prevailing party must pay non-prevailing party costs and attorney's fees if successful in bringing an action against other party arising out of, or related to the Franchise Agreement, including, but not limited to, an action to collect amounts owed to prevailing party.

Note 1. Type of Fee.

All fees are non-refundable and are payable to us, unless otherwise noted. Gross Sales means the total revenues derived by the franchised business from all sales of the franchised business, whether from cash, check, credit, barter, or otherwise, without reserve or deduction for inability or failure to collect the same and whether such business is conducted in compliance with, or in violation of, the terms of the Franchise Agreement. Gross Sales do not include refunds to customers, credits, discounts or the amount of any sales taxes or other similar taxes that you might be required to collect, and do collect, from customers to be paid to any federal, state, or local taxing authority. Fees are not uniformly imposed as they vary based on local market conditions and circumstances; however, all similarly situated franchisees will pay similar fees.

#### Note 2. Royalty Fee.

The weekly Royalty Fee must be received by us no later than the Friday of the following week. The Royalty Fee shall be paid by EFT from your bank account through an automatic debit system. During the term of the Franchise Agreement, you must provide us with access to your point of sale (POS) system and a monthly report of the Gross Sales for your franchised business. The report shall be in a form specified by us and shall fully disclose all information requested. You also must supply documentation supporting the information disclosed on the reports upon our written request.

#### Note 3. Additional Training Fee; Annual Convention Fee; Consulting Assistance.

The cost for initial training of the shop manager and four department managers (kitchen, barista, hospitality, and doughnuts) (hereinafter referred to collectively as, “the Managers”) is included in the Initial Franchise Fee. However, you will be responsible for all costs and expenses incurred by you and your employees in attending the initial training. If at any time during the term of the Franchise Agreement, the shop manager, Managers, or any employees need additional training, or new managers, Managers, or employees are hired that need to complete our training program, then the additional charges provided in the table above will apply.

The shop manager and Managers will be required to attend periodic online training and have the option to attend the annual convention for continuing education and training. To attend the annual convention, you will be required to pay a registration fee and will be responsible for all costs and expenses incurred by you and your employees in attending the convention including but not limited to all travel, lodging, meals, and other expenses.

Additionally, if you feel you need more assistance outside of our regularly scheduled training sessions, we will provide you with consulting assistance at your franchised business, upon your written request. You must pay us the Consulting Assistance Fee in exchange for the consulting assistance, which is currently set at \$100 per hour, as well as pay for all travel costs and expenses incurred by us for providing the consulting assistance. We have the right, without limitation, to modify the amount of the Consulting Services Fee at our discretion.

#### Note 4. Audit Costs.

We reserve the right to examine and audit your books, records, tax returns, accounts, and such other statistical and other information or records we require you to maintain and preserve. An examination or audit will be at our expense, unless it is discovered during the audit that you understated the Gross Sales of the franchised business by more than 5%, in which case you will be required to reimburse us for the cost and expense of such examination or audit. We assume costs vary depending on factors, including prevailing auditor’s rates in your area and how well you keep your books and records. You should be able to investigate these costs by contacting auditors in your area.

#### Note 5. National Marketing Fund

We may, in our sole discretion, decide to terminate or suspend the Marketing Fund at any time, decrease, or increase the amount (not to exceed 3% of your weekly Gross Sales) of the required contribution upon written notice to you.

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

<b>Unit Franchise and Multi-Unit Development Program</b>				
<b>Type of Expenditure (See Note 1)</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (See Note 2)	\$40,000 for initial franchised business  75% of the Initial Franchise Fee for second and third franchised businesses  50% of the Initial Franchise Fee for the fourth and additional franchised businesses	As required	Upon signing the Franchise Agreement and Multi-Unit Development Agreement	Parlor Doughnuts Franchising, LLC
Opening Inventory – boxes, cups, food, coffee, supplies, etc.	\$25,000 - \$35,000, per franchised business	As required	Before beginning operations	Affiliates and Third Parties
Opening Inventory – merchandise for sale (mugs, shirts, stickers, glasses, hats, etc.)	\$10,000 - \$15,000, per franchised business	As required	Before beginning operations	Affiliate and Third Parties
Lease and Utilities (See Note 3)	\$7,000 - \$15,000 per month, per franchised business	As required	As incurred	Landlord
Security Deposit (See Note 3)	\$7,000- \$10,000, per franchised business	As required	At signing of lease	Landlord
Design Professional Fees (Drawings for Permitting or Drawings for Construction) (See Note 4)	\$10,000 - \$30,000, per franchised business	As required	As incurred	Affiliate and Third Parties
Build-out of Approved Location (Second Generation) (See Note 5)	\$125,000 - \$250,000, per franchised business	As required	As incurred	Affiliate and Third Parties
Signage	\$10,000 - \$25,000, per franchised business	As required	As incurred	Third Parties
Furniture, Fixtures, and Décor (See Note 6)	\$25,000 - \$50,000, per franchised business	As required	As incurred	Affiliate and Third Parties
Equipment (See Note 6)	\$105,000 - \$180,000, per franchised business	As required	As incurred	Affiliate and Third Parties
Initial Training (Your Travel Costs/Expenses)	\$2,000 - \$7,000, per franchised business	As required	As incurred	Third Parties
Pre-Opening and Grand Opening Advertising and Marketing (See Note 7)	\$3,000 - \$5,000, per franchised business	As required	At least 1 month before beginning operations	Third Parties



<b>Unit Franchise and Multi-Unit Development Program</b>				
<b>Type of Expenditure (See Note 1)</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Legal and Accounting Fees Related to Startup Assistance (See Note 8)	\$2,000 - \$5,000, per franchised business	As required	Before beginning operations	Third Parties
Computer System and Required Hardware and Operating System plus Recommended Security Systems (See Note 9)	\$4,000 - \$10,000, per franchised business	As required	Before beginning operations	Third Parties
Drive Thru Window and Digital Menu (Optional)	\$20,000 - \$30,000 per franchised business	As required	As incurred	Third Parties
Insurance (quarterly estimate) (See Note 10)	\$3,000 - \$5,000 per franchised business	As required	As incurred	Insurance Company
Additional Funds for Initial Three Months (See Note 11)	\$20,000 - \$50,000, per franchised business	As required	As incurred	Third Parties
<b>TOTAL INITIAL INVESTMENT UNDER THE FRANCHISE AGREEMENT</b>	<b>\$398,000-\$732,000</b>  <b>With optional drive thru window and digital menu:</b>  <b>\$418,000-\$762,000</b>			

Note 1. Description of Expense.

All fees and expenditures represented in the above table in reference to us are non-refundable. All fees and expenditures represented in the above table to third parties, including suppliers, advertisers, various professionals, and governmental licensing agencies may be non-refundable subject to their guidelines. We do not offer direct or indirect financing for any part of the Estimated Initial Investment. These estimated ranges are based on our affiliates' experience in owning and operating company-owned locations. You should review these figures carefully with a business advisor as part of your due diligence before deciding to purchase a Parlor franchise.

In compiling this Item 7, we relied on our and our affiliates' industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the capabilities of your management team and employees, where you locate your franchised business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

Note 2. Initial Franchise Fee.

The Initial Franchise Fee is described in Item 5 of this FDD.

Note 3. Lease, Utilities, and Security Deposits.

You are required to have a full-service, brick and mortar location in your Territory in order to operate the franchised business and you may either own or lease the building, subject to our approval. The building

must be properly zoned, and the franchised business must legally be permitted to operate on the premises. The space for the franchised business should range from approximately 1,700-2,500 square feet with appropriate kitchen and seating areas. We highly recommend that you consider having a drive thru, but doing so is within your discretion. Outdoor/patio seating, on-site parking, high visibility, easy ingress/egress, Class A tenant mix, commuter traffic (e.g., morning side of the commute), and high foot-traffic areas are positive features and strongly encouraged. Further, we typically discourage strip mall/store front locations, especially in-line units, and do not permit spaces inside a mall. While strip mall locations are discouraged, if options are otherwise limited in a community, we highly recommend an end cap location.

If you lease the premises for your franchised business, the monthly rent will vary depending upon the geographic location, size of the building, type of building, and other economic factors and may include common area maintenance fees and real estate taxes. The cost of the required build-out will depend upon the size of the premises, location, material costs, labor costs, amount the landlord is willing to assume, and other economic factors. In a build-to-suit lease, the landlord may include some or all of the improvements, fixtures, equipment, and signs which may be factored into your lease payments.

If you purchase the land and build, your estimated cost for the construction will vary depending upon the geographic location, size of the building, and other economic factors. If you build, you will likely not have to factor monthly rent into your estimated initial investment; however, you will have to factor in additional costs for financing and construction of the building, as well as any other associated costs.

Regardless of whether you own or lease the building for your franchised business, you must construct or renovate, as the case may be, the premises (hereinafter referred to as “the Approved Location”) in accordance with our standards and specifications outlined in the Confidential Operations Manual or otherwise designated in writing by us. Prior to commencing such construction, renovation, or refurbishment, you must obtain all the necessary permits and certifications as may be required by law, ordinance, or regulation. If you elect or are required by us or the Franchise Agreement to perform construction work or significant renovations or refurbishment of the Approved Location affecting the design, character, or appearance of it, you must obtain our prior approval. We reserve the right to require you to renovate the Franchised Business and such renovations may require you to invest additional capital; however, Parlor will not request that you renovate the Franchised Business any more than once every five (5) years.

#### Note 4. Drawings for Permitting and/or Drawings for Construction

The Drawings for Permitting Fees range between \$10,000 and \$15,000. If required to have Drawings for Construction, such Drawing For Construction Fees may cost \$30,000 or more. These drawings are not typically required for a second generation location, and as of today, only one location located in California has needed such drawings. For reference, this was a full build-out of a dark space.

#### Note 5. Build-out of Approved Location (Second Generation)

The franchise model contemplated herein relies on locations that are second generation. As of the issuance date hereof, we have one open corporate store that is not a second generation location. If the location that you select and we approve is not a second generation location, please know that there may be additional costs associated with a full build-out. Based on the opinion of our architect, such additional costs may range from \$200-\$250 per sq./ft, e.g. for build-out of a vanilla-shell or dark space. Any tenant improvement allowances paid to you may defray a portion of the build-out costs.

#### Note 6. Furniture, Fixtures, Décor, and Equipment.

You must purchase and/or lease and install furniture, fixtures, décor, and equipment necessary to operate your franchised business from Approved Suppliers which may be limited to us or an Affiliate in our sole discretion. **The equipment, furniture, and fixtures you are required to purchase and/or lease will include but not be limited to the products and materials listed in the Confidential Operations Manual and our brand standards. They all must be approved by Parlor.** The cost of the furniture, fixtures, décor, and equipment will vary according to local market conditions, the size of the order, the supplier used, whether the supplier permits you to lease the item, and other related factors. You may be able to purchase much of your light fixtures and décor through Parlor or through other vendors with specific options approved by Parlor Doughnuts. If the restaurant does not have a grease trap, fire suppression hood, and/or a walk-in cooler, your estimated cost will be on the higher end of the range provided in the table (and lower end if your restaurant already has all of the above).

#### Note 7. Pre-Opening & Grand Opening Marketing and Advertising.

You are required to conduct pre-opening and grand opening marketing and advertising for your franchised business subject to a marketing plan approved by us beginning at least one month before beginning operations and continuing for sixty days after you open your franchised business.

You are required to spend the minimum amount listed above, but you may spend more than that if you choose to do so. The factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised business, time of year and customer demographics in the surrounding area.

#### Note 8. Legal and Accounting Fees Related to Startup Assistance.

We strongly recommend you employ an attorney, an accountant and other consultants to assist you in establishing your franchised business. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants.

#### Note 9. Computer System and Required Hardware and Operating System.

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Confidential Operations Manual or otherwise designated by us in writing. You must also use the designated software for use in the operation of the franchised business and update it as required by us from time to time, including, but not limited to, the POS system, loyalty reward program, gift card program, and on-line ordering program. In addition, security alarm and video camera systems are strongly recommended.

#### Note 10. Insurance.

You are required to maintain insurance, at your expense, prior to beginning construction or any other operations, with insurers which must have an A.M. Best Company Rating of A- VII or better. Parlor Doughnuts Franchising, LLC must be named an additional insured for operational liability, including product liability, and for any and all damages that could occur to any person as a result of contact with items sold at your franchised business. In addition, all insurances shall be primary and non-contributory and include a waiver of subrogation in favor of Parlor Doughnuts Franchising, LLC. Coverages shall also contain a provision obligating all insurers to provide written notice to us upon any cancellation or modification of coverage at least one week prior to the effective date of such a change.

Within sixty days of signing the Franchise Agreement, but not later than the time which you begin construction or any other business operations under the Parlor name, a certificate of insurance showing compliance with the requirements below must be furnished to us for approval. Such form shall state policies cannot be cancelled or altered without at least one week prior written notice to us and shall reflect proof of paid premiums.

The minimum limits below may be modified from time to time, by written notice to you. Should you, for any reason, not comply and maintain such insurance coverage as is required, we shall have the right and authority (but no obligation) to procure such coverages and charge the same to you, plus a reasonable fee for expenses related to the procurement of such policies. This will be payable immediately upon notice.

Insurance costs will vary based on a number of factors: for example – policy limits, state requirements, asset values, specific lease requirements, quantity of employees, leased space, and location. The estimate provided in the table above is for quarterly premium on insurance with the following required limits:

<b>Type of Insurance</b>	<b>Minimum Level of Coverage</b>
Worker’s Compensation	No less than \$500,000 each accident, \$500,000 each employee, and \$500,000 policy limit.
General Liability (including Personal and Advertising Injury)	\$1,000,000 per occurrence, \$2,000,000 aggregate.
Property Damage	You must maintain a minimum coverage sufficient to completely rebuild your location in the event of total loss. All real estate, betterments, and personal property required to adequately run your business must be insured, with ‘all risk’ coverage commonly included. You must also carry business interruption insurance for your location, commonly listed as “Actual Loss Sustained” for 12 months.
Auto Coverage	Commercial coverage with \$1,000,000 combined single limit for bodily injury and property damage, plus any other state requirements.
Umbrella/Excess Liability	You must maintain an additional \$1,000,000 umbrella liability coverage to protect against personal injury, bodily injury, and property damage associated with the operations of your Parlor location.
Specialty Coverage	\$2,000,000 product liability for any and all damages related to any person as a result of handling, eating, or ingesting any product at your Parlor location.

Note 10(a). Worker’s Compensation

Worker’s Compensation is required when employees begin employment and in addition to the minimum level of coverage, there may also be additional coverages required by your home state, which would also be required by us.

Note 10(b). Auto Coverage

Commercial auto coverage is only required if there is a vehicle associated with the franchise, including for the purposes of delivery, catering, or transportation of products.

### Note 11. Additional Funds for Initial Three Months

This estimates your possible start-up expense for the initial three months. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how well you follow our methods and procedures; your ability to manage the business; your experience and business acumen; local economic conditions; the local market for your product; the prevailing wage rate; competition; and the sales level reached during the initial period. These estimates do not include any compensation to you as owner, nor do they include debt service.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### Required Purchases

You may only offer and sell services and products that the Franchisor authorizes as further defined and described herein and within the Franchise Agreement. To ensure that our standards are maintained, you must operate your Parlor franchise in strict conformity with the Franchise Agreement and the methods, specification, and sources of supply that we designate and require within the Franchise Agreement and the Confidential Operations Manual.

You must develop and operate the franchised business according to our standards and specifications, subject to any laws, rules, and regulations governing the services provided by the franchised business. We require that you purchase certain types, models, and brands of fixtures, furnishings, equipment, services, advertisements, software, materials, ingredients, inventory, and other items required for the operation of the franchised business. To maintain quality and consistency, we require that you purchase these items, as referenced in the Confidential Operations Manual, from designated suppliers approved by us, which may include and be limited to us or our affiliates. The list of Approved Suppliers for other required items is contained in our Confidential Operations Manual, which we will loan to you after you sign the Franchise Agreement.

Even where purchases are not required to be made from Approved Suppliers, they must still meet any specifications and standards we designate. The Confidential Operations Manual also contains specifications for the products, supplies, equipment, materials, and other items you are required to use in your franchised business including the standards for quality, price, performance and functionality. These standards and specifications are based on our Affiliates' experience in operating a business of the type we are franchising and through use in our Affiliates' businesses. We communicate our standards and specifications to you during training and periodic visits to your franchised business, and through the Confidential Operations Manual.

We require that you purchase Parlor Doughnuts' proprietary coffee blends, from Proper Coffee, for your franchised business as we are currently engaged in an exclusivity agreement with Proper Coffee with respect to coffee.

We may periodically issue new standards and specifications through written notices, and we may review our prior approval of any goods, services, equipment, or suppliers. We will notify you in writing if we revoke our approval of goods, services, tools, equipment, or suppliers, and you must immediately stop purchasing disapproved goods, services, or equipment, or you must immediately stop purchasing from a disapproved supplier.

We estimate that the items you are required to purchase will represent approximately 70% to 85% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you are

required to purchase will represent approximately 85% to 90% of your total expenses.

#### Request for Approval of New Supplier, Good, Service, or Piece of Equipment

You may request to obtain approval for a new supplier, good, service, or piece of equipment by submitting such request, including the basis for the request, via email to [franchising@parlordoughnuts.com](mailto:franchising@parlordoughnuts.com). Approval is made on a case-by-case basis, and determined by us, in our sole discretion, and we will make commercially reasonable efforts to decide within thirty (30) days after receiving the required information whether the supplier, good, service, or equipment is approved. Our criteria for approving or revoking approval of suppliers may include the supplier's ability to provide sufficient quantity of goods; the quality of goods or services; the price; production and delivery capability of the supplier; and the dependability and general reputation of the supplier. We will notify you in writing of our approval or disapproval. If your request is approved, you may make purchases from the new supplier or purchase the new good, service, product, or piece of equipment. You will be responsible for ensuring that all products, goods, services, and equipment will continue to conform to our standards and specifications.

#### Revenue from Franchisee Purchases

We may derive revenue as a result of your and other franchisees purchasing the required products, supplies, equipment, materials, services, and other items from us, our affiliates, or Approved Suppliers. Parlor's total revenues are reflected in the attached **Exhibit G**.

Darrick Hayden and Josh Tudela have an ownership interest in Parlor Brands, which was the exclusive supplier of certain branded products such as t-shirts, mugs, cups, boxes, fabricated items, decor, etc. until 3/31/23. In the year ending on December 31, 2023, Parlor Brands' revenues from the sale of these products was \$170,341, or 100% of Parlor Brands' total revenues; however, this amount was offset by various operating and interest expenses, including cost of goods sold which were 94% of revenue. As a result, Parlor Brands did not make a profit and ended the year at a negative net income of -\$30,202.

As of 4/1/23, all activity from Parlor Brands was moved into Parlor's fully audited entity, Parlor Doughnuts Franchising. In the year ending on December 31, 2023, Parlor Doughnuts Franchising's revenues from the sale of these products was \$1,452,021, or 51% of Parlor Franchising's total revenues; however, this amount was offset by various operating and interest expenses, including cost of goods sold which were 87% of related revenue.

As of 1/1/24, all branded cups and boxes are sourced directly with Parlor's required box and cup vendor. Revenue from these products represented 62% of Parlor's overall revenue from required purchases in 2023.

#### Computer and Software Requirements

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Confidential Operations Manual or otherwise designated by us in writing. Parlor will have independent access to the information stored only on your POS system.

You are required to use the designated software for use in the operation of the franchised business and update such software as required by us from time to time, including, but not limited to, the POS system, loyalty reward program, gift card program, and on-line ordering program.

We reserve the right, without limitation, to modify or supplement the hardware or software required in the

operation of the franchised business and you may be required to make and install substantial modifications to the computer system, software, or hardware during the Initial Term of the Franchise Agreement or any renewal terms to efficiently operate the franchised business.

Cooperatives

We may, in our sole discretion, negotiate purchase agreements, including pricing terms, with certain suppliers for goods and services on behalf of the System. We may set up preferred vendor programs with suppliers on behalf of the businesses operating under this System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. Presently, we have entered into an agreement with Sysco Louisville, Inc. for them to provide food and product-related services through other subsidiaries, divisions, and affiliated entities of Sysco Corporation which are full-line foodservice distributors. We have also entered into an agreement with Vie de France Yamazaki Inc. to assist with proprietary dough recipes and product creation, and research and development efforts. We have also entered into an agreement with Proper Coffee to provide proprietary coffee and other related products.

Material Benefits

We negotiate with suppliers and vendors for pre-arranged, discounted prices for our franchisees. You may receive benefits from these purchase arrangements for your use of Approved Suppliers but these benefits are not promised.

Except as described in this Item 8, you do not receive any material benefit from us based upon your use of the Approved Suppliers. However, we consider a variety of factors when determining whether to renew or grant additional franchises, including compliance with the requirements described in Item 8.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

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

OBLIGATION	SECTION IN AGREEMENT	ITEMS IN DISCLOSURE DOCUMENT
(a) Site selection and acquisition/lease	<b>Franchise Agreement:</b> Section 6 <b>Development Agreement:</b> Section 2	Item 11
(b) Pre-opening purchases/leases	<b>Franchise Agreement:</b> Sections 7, 10, 11, 14, and 16 <b>Development Agreement:</b> Not Applicable	Items 6, 7 and 8
(c) Site development and other pre-opening requirements	<b>Franchise Agreement:</b> Sections 6, 7, 8, 10, 11, 12, 14, and 16 <b>Development Agreement:</b> Section 4	Item 11

(d) Initial and ongoing training	<b>Franchise Agreement:</b> Section 8 <b>Development Agreement:</b> Not Applicable	Items 5, 6, 7 and 11
(e) Opening	<b>Franchise Agreement:</b> Sections 6, 7, & 12 <b>Development Agreement:</b> Section 4	Items 5, 7 and 11
(f) Fees	<b>Franchise Agreement:</b> Sections 3, 4, 11, 13, and 14 <b>Development Agreement:</b> Sections 3 & 6	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	<b>Franchise Agreement:</b> Sections 9, 10, 11, and 15 <b>Development Agreement:</b> Section 5	Items 8, 11 and 14
(h) Trademarks and proprietary information	<b>Franchise Agreement:</b> Sections 9 and 15 <b>Development Agreement:</b> Section 5	Items 13 and 14
(i) Restrictions on products/services offered	<b>Franchise Agreement:</b> Sections 5, 9, & 10 <b>Development Agreement:</b> Not Applicable	Items 8 and 16
(j) Warranty and customer service requirements	<b>Franchise Agreement:</b> Not Applicable <b>Development Agreement:</b> Not Applicable	Not Applicable
(k) Territorial development and sales quotas	<b>Franchise Agreement:</b> Section 5 <b>Development Agreement:</b> Section 2	Item 12
(l) Ongoing product/service purchases	<b>Franchise Agreement:</b> Section 10 <b>Development Agreement:</b> Not Applicable	Item 8
(m) Maintenance and appearance requirements	<b>Franchise Agreement:</b> Section 7 <b>Development Agreement:</b> Not Applicable	Item 11
(n) Insurance	<b>Franchise Agreement:</b> Section 16 <b>Development Agreement:</b> Not Applicable	Item 7
(o) Advertising/Marketing	<b>Franchise Agreement:</b> Section 14 <b>Development Agreement:</b> Section 5	Items 6, 7 and 11



(p) Indemnification	<b>Franchise Agreement:</b> Section 17 <b>Development Agreement:</b> Section 10	None
(q) Owner's participation/management/staffing	<b>Franchise Agreement:</b> Section 8 <b>Development Agreement:</b> Sections 2 & 4	
(r) Records/reports	<b>Franchise Agreement:</b> Sections 13, 14, and 18 <b>Development Agreement:</b> Not Applicable	Item 6
(s) Inspections/audits	<b>Franchise Agreement:</b> Sections 12 and 18 <b>Development Agreement:</b> Not Applicable	Item 11
(t) Transfer	<b>Franchise Agreement:</b> Section 21 <b>Development Agreement:</b> Section 6	Item 17
(u) Renewal	<b>Franchise Agreement:</b> Section 3 <b>Development Agreement:</b> Not Applicable	Item 17
(v) Post-termination obligations	<b>Franchise Agreement:</b> Sections 20 and 22 <b>Development Agreement:</b> Section 8	Item 17
(w) Non-competition covenants	<b>Franchise Agreement:</b> Section 22 <b>Development Agreement:</b> Section 8	Item 17
(x) Dispute resolution	<b>Franchise Agreement:</b> Section 24 <b>Development Agreement:</b> Section 11	Item 17
(y) Guarantee of franchisee obligations (See Note 1.)	<b>Exhibit C</b>	Item 15

Note 1. Guarantee of Franchisee Obligations.

Each individual who owns an interest in a franchise or serves as an officer or director of a franchisee that is a corporation or other business entity must sign an agreement not to compete and a personal guaranty assuming the obligations of the franchisee under the Franchise Agreement.

**ITEM 10  
FINANCING**

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or MUDA. We do not guarantee your notes, leases or other obligations.

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

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

Pre-Opening Assistance

Before you open your Franchised Business, we will perform the following services:

1. Territory (Section 5 of the Franchise Agreement).

We will designate and approve your Territory as described below in Item 12.

If you enter into a MUDA, we will designate and approve your Development Area. (MUDA, Section 2).

The typical time between signing the Franchise Agreement and opening the franchised business is approximately nine (9) to twelve (12) months. The factors that affect opening time include, but are not limited to, completing the training program, renovating the space, ordering and receiving inventory and equipment, hiring personnel, and obtaining financing. You must open your franchised business and be operational within twelve (12) months after signing the Franchise Agreement, unless otherwise authorized in writing by us.

If you sign a Multi-Unit Development Addendum, you will be subject to a Development Schedule outlining the required opening dates for opening the additional franchised businesses. You must open and operate your franchised businesses by the required opening dates, unless otherwise authorized in writing by us. (MUDA, Section 2).

2. Site Selection (Section 6 of the Franchise Agreement).

You are required to have a full-service, brick and mortar location within your Territory in order to operate the franchised business and you may either own or lease the building, subject to our approval. We must approve the location before you sign a purchase agreement or lease. The location must meet our criteria for demographic characteristics, parking, character of neighborhood, competition from and proximity to other businesses and other Parlor franchises, the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the proposed site. We will make commercially reasonable efforts to approve or disapprove a location you propose within ten (10) days after we receive the complete report of the site and other materials we request. You must have an approved site for your franchised business within six (6) months after signing the Franchise Agreement, unless otherwise authorized in writing by us. If we cannot agree on a location within six (6) months after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement.

We or our designee will review proposed sites for your location and we may, at our discretion, propose sites that we recommend you select. However, neither our review and/or acceptance of a site constitutes a representation or guarantee that the site will be successful. When evaluating your site, we will consider factors such as size, lease terms and conditions, and other factors such as demographics. It is solely your responsibility to obtain a mutually acceptable site.

We suggest you use a qualified real estate company to review and negotiate your lease. We are not obligated to assist you in reviewing your lease, but we may do so at our discretion. **However, prior to your execution of a lease, we must review and approve your proposed lease for the Approved Location.** We may condition our approval of any proposed lease on, among other things, your execution

of a separate collateral assignment of the lease. Materials to assist in your site search and selection are included in the Confidential Operations Manual, including Parlor's Preferred Site Criteria, Non-Binding LOI Template, and Site Approval Submission Form.

Once you have an approved location, a signed lease, and we receive the required information (e.g. floor plan, as-built drawings, photos), we will prepare and provide you with a one-page concept drawing of the location, including customer flow, counter design, equipment layout, etc. in accord with the Parlor brand. We will also provide you with Brand Standards and other specifications regarding the design, appearance, fixtures, finishes, furniture, décor, and signage for your location. You, your architect, and your contractor are required to adhere to our specifications for the construction of your shop, prepare necessary drawings, and obtain permits.

3. Approved Suppliers (Section 10 of the Franchise Agreement).

To maintain quality and consistency, we may require that you purchase required products, supplies, equipment, materials, services, apparel, and other items solely from our Approved Suppliers, which may include and be limited to us or our affiliates. The list of Approved Suppliers is contained in our Confidential Operations Manual, which we will loan to you after you sign the Franchise Agreement. Other than providing you with the Approved Suppliers list, we do not provide direct assistance in obtaining equipment, signs, fixtures, opening inventory, or supplies (unless such items are purchased through us or our affiliate) and we do not install such items.

4. Pre-Opening Inspection (Section 12 of the Franchise Agreement).

We will conduct one (1) pre-opening inspection of the franchised business, at our expense, to ensure you are following our standards and specifications. The pre-opening inspection may be done via video-conference and will include completion of our Pre-Opening Audit Checklist. The franchised business may not open for business without written authorization from us after the pre-opening inspection has been completed and you have successfully demonstrated that you are complying with our standards and specifications. Our authorization for opening of the franchised business is limited solely to reviewing and confirming compliance with our standards and specifications and does not warrant, represent, guarantee, or assure that your franchised business will be successful, profitable, or meet your expectations.

5. Training (Section 8 of the Franchise Agreement).

The cost for initial training of the owner (if having any hands-on involvement in the operation of the shop), shop manager and department managers (up to 5 individuals) is included in the Initial Franchise Fee. However, you are responsible for all travel, lodging, and meal expenses incurred by you and your staff for attending and participating in the Initial Training Program. Our Initial Training Program consists of in-person training at our headquarters or designated facility and at your franchised business, as well as online and video training.

See Training Program below for more information.

6. Website and Social Media (Section 14 of the Franchise Agreement).

All digital media and marketing must be approved by us. We will provide information about your franchise on our website or such other websites as we may designate for the System. In addition, we will establish, manage, and control social media accounts for the overall brand and on your behalf for your local market/territory. You will have the right to submit content to us for posting in coordination with the overall marketing plan.

7. Grand Opening Assistance (Section 14 of the Franchise Agreement).

We will provide you with grand opening assistance at your franchised location for at least two (2) days before you open and two (2) days after you open your franchised business.

8. Operations Manual (127 Pages) (Section 9 of the Franchise Agreement).

We will loan you a complete copy of our Confidential Operations Manual after you sign the Franchise Agreement. The Confidential Operations Manual contains mandatory and suggested specifications, standards, and procedures and is confidential and remains our property. We may modify the Confidential Operations Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. The Table of Contents of the Confidential Operations Manual is attached to this FDD as **Exhibit F**.

The Approved Supplier list, which contains the Approved Suppliers that you are required to utilize in the operation of the franchised business, is included in the Confidential Operations Manual.

Post-Opening Assistance

During the operation of your franchised business, we will perform the following services:

1. Development of New Products and Services (Section 10 of the Franchise Agreement).

We periodically develop new products and services for use in the franchised business and to further improve and develop the franchise System. You will be required to provide any new products or services we deem mandatory, and you may incur additional costs associated with providing said products or services. You may determine the price for the products and services, subject to the recommended and maximum prices established by us. Despite your ability to set prices, you must honor all corporate discounts, specifically, the fifteen percent (15%) discount for veterans and members of the active military.

2. Additional/Continuing Training and Consulting Assistance (Section 8 of the Franchise Agreement).

We provide you and/or your employees with additional in-person, video, and on-line training sessions as needed at our headquarters, the franchised business, or at another location designated by us. Currently, the charge for additional training is \$100 per hour, plus our travel expenses, meals and lodging that we incur in providing the additional training.

We will provide mandatory additional training if during the Franchise Agreement you hire new shop managers who have not successfully completed our training program. New shop managers must attend and complete our training program within thirty (30) days of being hired and shall not manage or provide services on behalf of the franchised business until they have satisfactorily completed the training program.

Additionally, if you feel you need more assistance outside of our regularly scheduled training sessions, we will provide you with consulting assistance at your franchised business, upon your written request. You must pay us the Consulting Assistance Fee in exchange for the consulting assistance, which is currently set at \$100 per hour, as well as pay for all travel costs and expenses incurred by us for providing the consulting assistance. We have the right, without limitation, to modify the amount of the Consulting Services Fee at our discretion.

3. Post-Opening Inspection (Section 12 of the Franchise Agreement).

We may conduct an annual post-opening inspection of the franchised business, at our expense, to determine compliance with our standards and specifications. We may conduct the inspections during regular business hours and without giving prior notice to you. We may conduct more than one (1) post-opening inspection per year as we deem necessary and in our sole discretion. If additional post-opening inspections are necessary because of a default of the Franchise Agreement, you will be required to cover our travel expenses associated with conducting the post-opening inspection.

4. Website and Social Media (Section 14 of the Franchise Agreement).

We will continue to include you on our website and national social media accounts during the term of the Franchise Agreement. In addition, we will post on the local social media account(s) on your behalf for your local market/territory. You will have the right to submit content to us for posting in coordination with the overall marketing plan. Parlor staff will also work with you to review and respond, as appropriate, to online comments, reviews, questions, and complaints, such as Google reviews.

5. General Business Guidance and Support (Section 8 of the Franchise Agreement).

We periodically advise you and offer general business guidance to you by telephone, e-mail, newsletters, and other methods. Our guidance is based on our and our affiliates' knowledge and experience. We may offer you advice and guidance on a variety of business matters, including operational methods, accounting procedures, authorized services or products and marketing and sales strategies. Our advice related to the operation of the franchised business is for educational purposes and to ensure compliance with our standards and specifications. If you follow our advice, it does not warrant, represent, guarantee, or assure that your franchised business will be successful, profitable, or meet your expectations.

Advertising

1. National Marketing Fund (Section 14 of the Franchise Agreement).

We have established a National Marketing Fund ("Marketing Fund") that you are required to contribute, on a weekly basis, an amount currently equal to one percent (1%) of the total weekly Gross Sales of the franchised business. We may, in our sole discretion, decide to terminate or suspend the Marketing Fund at any time, decrease, or increase the amount (not to exceed 3% of your weekly Gross Sales) of the required contribution upon written notice to you. Parlor locations owned by us and our affiliates may, but shall not be obligated to, contribute to the Marketing Fund on the same basis as franchisees.

We have the exclusive right to direct all marketing programs financed by the Marketing Fund, including the right to control the creative concepts, materials, and endorsements. We have the right to determine the geographic market, media placement, and allocation of the Marketing Fund and have no obligation to administer the Marketing Fund in such a manner as to ensure that expenditures by the Marketing Fund in any geographic area are proportionate or equivalent to contributions to the Marketing Fund by franchisees or that you will benefit directly or in proportion to your contribution to the Marketing Fund from the conduct of marketing programs or the placement of advertising.

The Marketing Fund may be used to pay the costs for your local social media sites and online activity. The Marketing Fund may also be used to pay the costs of preparing and producing video, audio, and printed marketing materials; administering multi-regional and national marketing programs, including purchasing television, radio, magazine, billboard, newspaper, online, social media, and other media advertising; employing advertising agencies and/or public relations firms or graphic designers to assist with marketing

and advertising; and providing marketing materials to franchisees. The Marketing Fund may also be used to meet any and all costs reasonably related and incident to administering the Marketing Fund and its related programs, including administrative costs. Under no circumstance will we use the Marketing Fund to solicit new franchisees.

The Marketing Fund will be accounted for separately from our other funds. However, the Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations to our franchisees with respect to the Marketing Fund or with the monies collected. We are permitted to spend in any fiscal year an amount greater or less than the aggregate contributions of franchisees to the Marketing Fund in that year. Any part of the Marketing Fund contributions that were not spent during the fiscal year would remain in the Marketing Fund to be used in the next fiscal year. An unaudited statement of monies collected, and expenditures made by the Marketing Fund will be prepared annually and provided to you upon written request. We determine the use of the monies in the Fund. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your franchise is located. During our 2023 fiscal year, we spent the Advertising Fund as follows:

Media Production	12%
Media Placement	16%
Administrative Expense	24%
Loyalty Program	33%
Consulting Expense	13%
Other	2%

At this time, there is not a franchise advisory council. However, we expect to establish a council in 2024 to advise and consult with us in connection with the establishment, modification, continuance, or other decisions or considerations affecting marketing programs. We are still in the process of determining its organizational structure and manner of operation.

## 2. Local Advertising & Community Support (Section 14 of the Franchise Agreement).

You are required to conduct local advertising and to spend one percent (1%) of monthly Gross Sales of the franchised business on such advertising and community support, including product donations. Additionally, you must sponsor a minimum of two community engagements, events, or activities per year. **The specific engagement, event, or activity must be pre-approved in writing by us before you sign any agreement to sponsor such engagement, event, or activity.** Your local marketing efforts and sponsorships must align with Parlor’s areas of focus, be expressly approved by Parlor, and must avoid “controversial” issues, causes, and organizations (which is to be defined and determined at Parlor’s sole discretion). For the avoidance of doubt, you may not engage with any social media influencer, collegiate athlete, or any other third party promoter for the purposes of advertising your services without Parlor’s express written approval. See Item 6 for fines associated with non-compliance of these requirements.

You must provide us with monthly reports of your local advertising expenditures no later than the tenth (10<sup>th</sup>) day of the following month. You are permitted to create and use your own marketing and advertising materials to locally advertise your franchised business; provided, however, that such marketing and advertising materials are submitted to and pre-approved in writing by us before they are used. We will make commercially reasonable efforts to notify you of our approval or disapproval of the proposed advertising material within thirty (30) days after we receive all the necessary information for review. We may approve, disapprove, or revoke approval of any advertising materials for any reason and at any time and you must not use any marketing materials that we have disapproved.

You are restricted from establishing a presence on, or marketing on the Internet without our consent.

We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, e-commerce, social media, and co-branding arrangements. You may be requested to provide content for our Internet marketing, and you must follow our Internet usage rules, policies and requirements. We retain the sole right to use the Proprietary Marks on or sell products containing the Proprietary Marks over the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Parlor website.

### 3. Grand Opening Advertising (Section 14 of the Franchise Agreement).

You are required to conduct grand opening marketing and advertising for your franchised business subject to a marketing plan approved by us beginning at least one month before beginning operations and continuing for sixty days after opening. You are required to spend the minimum amount listed in Item 7 above, but you may spend more than that if you choose to do so. The factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised business, time of year and customer demographics in the surrounding area.

We will provide you with grand opening assistance at your franchised location for two (2) days before and the first two (2) days you are open.

### Computer Requirements (Section 11 of the Franchise Agreement).

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Confidential Operations Manual or otherwise designated by us in writing. The estimated expense in purchasing or leasing the required computer system is stated in Item 7.

You are required to use the designated software for operating the franchised business and provide us with access to your software including, but not limited to, your point-of-sale system (“POS”), loyalty reward program, gift card program, and on-line ordering program. In order to use this software, you must pay a fee to the designated vendor and such fee may be modified in our designated vendor’s sole discretion. Currently, you are required to use Toast for your POS and payment processor.

We reserve the right, without limitation, to modify or supplement the hardware or software required in the operation of the franchised business and you may be required to make and install substantial modifications to the computer system, software, or hardware during the Initial Term of the Franchise Agreement or any renewal terms to efficiently operate the franchised business.

We will have the free and unfettered right to retrieve such data and information stored on your hard drive, either internally or externally, as we deem necessary, desirable, or appropriate and there are no contractual rights that limit our ability to do so. The business information or data that will be collected or generated includes, but is not limited to, sales data, trend analysis, records, social media accounts, email, customer reviews, pricing information, customer demographics, and the like.

### Training (Section 8 of the Franchise Agreement).

We provide you with our Initial Training Program which covers most aspects of the operation of the franchised business such as food preparation, customer service, community relations, communication, purchasing, policies, and marketing. The training program is conducted by our staff (certified trainers), utilizing our operations and training manual and other materials. The classroom training may be conducted

through a combination of in-person and virtual instruction. The on-the-job portions of the training may be conducted in a combination of both our company – owned locations, including in Evansville, IN, and at your franchised business.

The owner (if having any hands-on involvement in the operation of the shop), shop manager and department managers must complete the initial training to our satisfaction prior to commencing the operation of your franchised business. As part of the training program outlined below, owners and shop managers are expected to work 40 hours in an Approved Location prior to opening their shop. Further, training for owners and managers in subsequent shops, within a territory, must be completed to our satisfaction prior to commencing the operation of your franchised business.

We expect that attendees will advance through the Initial Training Program at different rates depending on a variety of factors, including background and experience. As such, the time frames provided in the chart are an estimate of the time it will take to complete training. The charge for the Initial Training Program for the owners, shop manager, and department managers (up to five people) is included in the Initial Franchise Fee, but you must pay for all travel costs and living expenses incurred by you and/or your shop manager and department managers in attending and participating in the initial training. The franchised business must at all times be under the day-to-day supervision of someone who has completed the Initial Training Program to our satisfaction.

Additional staff may be included in the training for an additional fee. If a new shop manager is hired or an existing employee is promoted to shop manager, the franchisor must be notified within seven (7) days. In addition, new shop managers must complete the program to our satisfaction within thirty (30) days of being hired. You will be responsible for all travel, lodging, meals, and other expenses incurred in providing the additional training to staff and/or new shop managers, which will typically be held in one of our corporate shops, your franchised business, virtually, or at other locations designated by us.

In addition to any required training provided by us, your shop manager and all department managers, as well as any other employees required in accord with local regulations, are required to complete ServSafe® training at your expense.

You are solely responsible for recruiting, hiring, firing, training, and supervising employees to operate the franchised business and the terms and conditions of their employment. We may provide you with standardized interviewing and hiring information, but you are not obligated to use said information in making your hiring decisions. Any material or information related to hiring employees is for informational purposes only and the employees of the franchised business will only be your employees, and are not in any way our employees or agents. The following table provides an overview of the current training program:

<b>INITIAL TRAINING PROGRAM</b>			
<b>Subject</b>	<b>Hours of Classroom Training (in-person and/or virtual)</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Creating the Culture</b> – History, Mission, Values, and Customer Service Philosophy	2	1	Virtual/ Corporate Shop/ In-Store Franchisee Location



INITIAL TRAINING PROGRAM			
Subject	Hours of Classroom Training (in-person and/or virtual)	Hours of On-the-Job Training	Location
<b>Building the Foundation</b> (2-4 weeks before opening for owners/managers): <ul style="list-style-type: none"> <li>- Hospitality/FOH</li> <li>- Kitchen</li> <li>- Barista</li> <li>- Dough/Den</li> </ul>	2 2 2 2	8 8 8 8	Virtual/ Corp. Shop
<b>Developing the Team</b> (owners/shop manager) – hiring, training, and scheduling	2	2	Virtual/ Corp. Shop/ In-Store
<b>Managing the Success</b> (owners/shop manager) – logistics, purchasing, operating/shop experience, and marketing support	2	5	Virtual/ Corp. Shop/ In-Store
<b>Equipping the Team</b> (immediately before and after opening for all staff): <ul style="list-style-type: none"> <li>- Hospitality/FOH</li> <li>- Kitchen</li> <li>- Barista</li> <li>- Dough/Den</li> </ul>		32 32 32 32	In-Store Franchise Location
<b>TOTAL</b>	<b>14</b>	<b>168</b>	

Our Initial Training Program will utilize the Confidential Operations Manual, and operating forms and materials used on a day-to-day basis during training. The training will occur at one of our corporate shops, your franchised business, virtually, or at other locations designated by us. The dates and location of the training will be communicated to you. Training will be conducted by our founders, management team, certified trainers, or a third-party hired by us to provide training to our franchisees.

We intend, though we are not obligated, to prepare and offer various seminars and conferences to franchisees in addition to the Initial Training Program. All details concerning any programs, if offered, such as time, location, duration, cost, and other matters, will be determined on a case-by-case basis. We may require the participation in these programs under the terms of the Franchise Agreement.

#### Employment Matters

We do not assist you with the hiring, firing, managing, or compensation of your employees. That is your responsibility. Further, we do not assist you in employment-related decisions or in creating any policies or terms related to the management of your employees. We may provide guidance and sample documents regarding employment matters; however, they are only provided as samples for your consideration. **All employees must sign the appropriate confidentiality agreement before beginning training or employment.** Further, employees are required to comply with system-wide policies in accord with the brand such as dress code, non-smoking, language, and social media as outlined in the Confidential Operations Manual. It is your responsibility to comply with local, state, and federal employment laws.

## **ITEM 12 TERRITORY**

### Franchise Agreement

You will receive an exclusive territory which will be described and depicted in **Exhibit A** attached to the Franchise Agreement (the “Territory”). The Territory will be based on community boundaries, population density, drive times, and distance. We determine the boundaries of the geographic area based on a variety of factors, including proximity to competitors, proximity to other franchisees and natural and physical boundaries. The typical territory for a shop considers factors such as communities, a mileage radius (typically 3 miles), population density, and 100,000+ population. You are not permitted to solicit consumers outside of your Territory.

For your initial location, you are required to have a full-service, brick and mortar location within your Territory in order to operate the franchised business and you may either own or lease the building, subject to our approval. You shall not relocate the Approved Location without our prior written authorization. We reserve the right to approve or deny your relocation request at our discretion based upon, without limitation, our own business judgment, your compliance with the Franchise Agreement, and the proposed new location. If we approve your relocation request, you must pay us a Relocation Fee as listed in Item 6.

You may sell the authorized goods and services to customers residing outside of your Territory; provided, however, that you are only permitted to sell the authorized goods and services at and from the Approved Location. Otherwise, you are not permitted to solicit consumers outside of its Territory.

You are prohibited from setting up, maintaining, or utilizing an Internet website, home page, or other social media site to sell products and services. You must not cause or allow the Proprietary Marks to be used or displayed, in whole or in part, as an Internet domain name, or on or in connection with any Internet website, home page, or social media site without our express prior written consent, which we may grant or withhold in our sole discretion. If we provide our consent to such use, then you may only use the Proprietary Marks in such a manner authorized by us and in accordance with our procedures, standards and specifications as established from time to time.

You do not receive the right of first refusal for additional territories unless you have entered into a MUDA with us.

Except for the rights expressly reserved to us in this Item 12 and the Franchise Agreement, we will not open for business, grant a franchise, license or otherwise authorize any other person or entity to open for business, a Parlor franchise within your designated Territory. As long as you are in compliance with the Franchise Agreement, there are no other circumstances under which we will modify your territorial rights.

### Multi-Unit Development Agreement

If you are granted the right to establish and operate multiple Parlor franchises under our form of the MUDA, then we will provide you with a Development Area upon execution of the MUDA. The size of your Development Area will be based on: (i) the number of franchises you agree to open and operate; and (ii) the location, demographics, and population of the general area where we mutually agree these locations will be operated. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the MUDA.

Each franchise opened and operating in the Development Area must be operated under our then-current form of the Franchise Agreement and will each have its own designated territory. Except for the rights expressly reserved to us in this Item 12 and the MUDA, we will not operate or recruit any person or entity to operate a Parlor franchise within your designated Development Area until the expiration or termination of the MUDA for any reason.

In order to maintain your rights to the Development Area, you must comply with your Development Schedule. If you fail to comply with your Development Schedule, we may terminate your MUDA. Upon expiration or termination of the MUDA for any reason, your rights in the Development Area will terminate, except that each franchise opened and operating in the Development Area will continue to maintain the rights to their respective territories under their Franchise Agreements. Except for the expiration or termination of the MUDA, we will not modify your Development Area or your rights therein unless mutually agreed to in writing by you and us.

Without our prior written consent, you cannot, by operation of law or otherwise, sell, assign, transfer, convey, give away or encumber any part of your interest in the MUDA, your interest in the development rights granted under the MUDA or the interest in any entity that owns any interest in the MUDA, and you shall not offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way.

#### Reserved Rights

Except as otherwise provided, we retain the right to:

- i. Operate and grant others the right to operate a Parlor franchise anywhere outside of your Territory or Development Area;
- ii. Develop, operate, and grant others the right to operate any future concepts that are not included within the franchise System at any location anywhere;
- iii. Use and license the use of other trademarks or methods which are not a part of the franchise System at any location anywhere;
- iv. Operate any business that primarily offers doughnuts or coffee (whether under development or already in operation) included in any business acquisition at any location outside of the Territory or Development Area; and
- v. Distribute or license any goods, services, or concepts, in or outside of your Territory, regardless of whether such products are authorized for Parlor franchises or are distributed or licensed under the Proprietary Marks, through other channels of distribution, including, but not limited to the Internet or through consulting services.




Currently, we do not have any plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

### **ITEM 13 TRADEMARKS**

Parlor has licensed us the right to use the name PARLOR DOUGHNUTS® and other trademarks listed below and permits us to sub-license the right to use these trademarks to you. This agreement with our affiliate does not significantly limit our right to use or license the use of the trademarks listed below and such agreement will remain in effect so long as the companies are affiliated. Accordingly, we hereby grant you

the right to use the name PARLOR DOUGHNUTS®, OUR FAMOUS LAYERED DOUGHNUTS®, and any other proprietary marks, trade names, logos, and the like (“Proprietary Marks”) that we require you to use in the operation of the franchised business. You shall not represent in any manner that you have acquired any ownership rights in the Proprietary Marks, and you shall not use any of the Proprietary Marks or any marks, names, or indicia which are, or may be confusingly similar, in your own entity or business name. You must obtain a fictitious or assumed name registration if required by your state or local law. All goodwill associated with the Parlor franchise System and identified by the Proprietary Marks shall inure directly and exclusively to our benefit.

We have applied for federal registration with the United States Patent and Trademark Office (“USPTO”) of the following Proprietary Marks:

Service Mark	Serial Number	Application Date	Register
Parlor Doughnuts	90486862	01/25/2021	Principal
THE DOUGHNUT PARLOR	87232920	11/10/2016	Principal
	90793425	06/24/2021	Principal
	90793320	06/24/2021	Principal
	97331140	03/23/2022	Principal
	97756745	01/17/2023	Principal

We are not aware of any effective determinations of the USPTO, the trademark administrator of any state, or any court, nor is there any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Proprietary Marks which may be relevant to its use in any state. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

We are not obligated to defend your right to use the Proprietary Marks or against claims of infringement or unfair competition arising out of your use of the Proprietary Marks.

You do not receive any rights to the Proprietary Marks other than the nonexclusive and nontransferable right to use them in the operation of the franchised business. You must follow our rules, including any style requirements, when you use the Proprietary Marks. You may not use any Proprietary Marks in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. Any unauthorized use of the Proprietary Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Proprietary Marks. You must not contest the validity or ownership of the Proprietary Marks, including any Proprietary Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Proprietary Marks. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Proprietary Marks or a trademark or service mark that is confusingly similar to any of our Proprietary Marks. Your right to use the Proprietary Marks does not extend beyond the termination or expiration of the Franchise Agreement.

If we require, you must modify or discontinue the use of any Proprietary Marks and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Proprietary Mark or for substituting another trademark or service mark for a discontinued Proprietary Mark, or for any loss of goodwill associated with a modified or discontinued Proprietary Mark. If we adopt and use new or modified Proprietary Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Proprietary Marks.

You may not advertise on the internet using, or establish, create, or operate an internet site or website using any domain name containing the phrase “parlor doughnuts” or any variation thereof without our prior written consent. We have registered the following domain names:

<b>Domain Name</b>
parlordoughnuts.com
parlordoughnut.com
parlordonuts.com
parlordonut.com

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We filed a patent with the USPTO on October 20, 2021 titled “A Method for Forming a Baked Good”. The application was given provisional application number 63/257,932. After the lapse of the provisional application, we filed a non-provisional application for the same process that was assigned U.S. Non-Provisional Application No. 17/970,045. This application is currently pending. We have no registered copyrights that are material to the purchase of a franchise. However, we claim copyright interest in our written materials and other materials that are critical to the franchise System, including, but not limited to, our Confidential Operations Manual, training material, sales process, advertising material, website, and

other publications. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Copyright Office. You may use these items only as we specify while operating the franchised business and you must stop using them if we direct you to do so.

There is no current material determination of the USPTO, United States Copyright Office or a court regarding any patent or copyright. There is no forum, case number, claims asserted, issues involved, and effective determinations for any material proceeding pending in the USPTO or any court. We do not know of any patent or copyright infringement that could materially affect the franchised business.

We have developed certain trade secrets and other confidential information, including methods of business management, design, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Parlor business. We will provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the Franchise Agreement. You may only use the trade secrets and other confidential information for the purpose of operating the franchised business. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the franchised business and you are responsible for enforcing the confidentiality provisions as to your employees. Your use of the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement for which we may terminate the agreement.

Individuals with access to our trade secrets or other confidential information, including your shareholders, officers, directors, partners, members, managers, executives, spouse, vendors, employees, and staff **will be required to sign nondisclosure and non-competition agreements** in a form the same as or similar to the Confidentiality, Nondisclosure and Non-Competition Agreements attached to the Franchise Agreement as **Exhibit E**.

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

You are required at all times to perform your contractual obligations faithfully, honestly, and diligently, fully exploit your Franchise Agreement rights, and devote your time and best efforts to the operation, promotion, and enhancement of your franchised business. The franchised business must always be under your direct, full-time, day-to-day supervision or the supervision of someone who has successfully completed our Initial Training Program. Direct, full-time, day-to-day supervision means a minimum of forty (40) hours per week. Further, any owner who has hands-on involvement in the operation of the shop must successfully complete our Initial Training Program.

Individuals with access to our trade secrets or other confidential information, including shareholders, individuals who executed a personal guaranty, officers, directors, partners, members, managers, executives, spouses, vendors, employees and staff, as applicable, will be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Confidentiality, Nondisclosure, and Non-Competition Agreement attached to the Franchise Agreement as **Exhibit E**. Additionally, your shareholders, officers, directors, partners, members, managers, and executives, as applicable, must personally guaranty the performance of all of the franchisee's obligations under the Franchise Agreement and agree to be personally liable for any breaches of the Franchise Agreement by signing the personal guaranty attached to the Franchise Agreement as **Exhibit C**.

**ITEM 16  
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer the services and products we specify under the Parlor brand. You may not sell any services or products under the Parlor brand that we have not authorized, and you must discontinue offering any services or products under the Parlor brand that we disapprove. You are not permitted to wholesale our products, without our express consent, or sell “day-old” layered doughnuts.

Our merchandise (shirts, mugs, soda glasses, etc.) are a key component of the brand and are typically used as décor in the shops.

We have the right, without limit, to modify, add, or enhance the types of authorized services and products you are required to offer and sell under the Parlor brand. We may take action, including but not limited to, terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers.

We may allow certain services or products that are not otherwise authorized for general use as a part of the franchise System to be offered locally or regionally based on various factors, including test marketing, your qualifications, and regional or local differences.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

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

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
(a) Length of the franchise term	<b>Franchise Agreement:</b> Section 3  <b>MUDA:</b> Section 2	The Initial Term of the Franchise Agreement is 10 years.
(b) Renewal or extension of the term of the franchise	<b>Franchise Agreement:</b> Section 3  <b>MUDA:</b> N/A	Provided certain conditions are met, you will have the option to renew the Franchise Agreement for two additional 5-year periods. If you fail to meet any of the conditions to renew, we may refuse to renew or extend the terms of your Agreement.
(c) Requirements for franchisee to renew or extend	<b>Franchise Agreement:</b> Section 3  <b>MUDA:</b> N/A	You may renew your Franchise Agreement if you: (i) provide us with not less than 6 months but no more than 9 months’ written notice before expiration of the Franchise Agreement of your intent to renew; (ii) have fully complied with the provisions of the Agreement; (iii) have paid all monetary obligations owed to us; (iv) have completed all required additional training; (v) sign the then-current standard Franchise Agreement which may contain items and conditions that are materially different from those in the original Agreement; (vi) sign a

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		general release in a form the same as or similar to the general release attached to the Agreement as Exhibit D; and (vii) pay a Renewal Fee equal to 50% of the then-current Initial Franchise Fee.
(d) Termination by franchisee	<b>Franchise Agreement:</b> Section 19  <b>MUDA:</b> N/A	You may not terminate the Franchise Agreement or MUDA prior to the expiration of its term, except as provided by law.
(e) Termination by franchisor without cause	<b>Franchise Agreement:</b> N/A  <b>MUDA:</b> N/A	We may not terminate the Franchise Agreement or MUDA without good cause.
(f) Termination by franchisor with cause	<b>Franchise Agreement:</b> Section 19  <b>MUDA:</b> Section 7	We may terminate the Franchise Agreement only if you default.  We can terminate the MUDA if you do not meet the Development Schedule or you breach a Franchise Agreement.
(g) “Cause” defined-curable defaults	<b>Franchise Agreement:</b> Section 19  <b>MUDA:</b> Section 7	If a default arises from your failure to comply with a mandatory specification in the Confidential Operations Manual, the Franchise Agreement, or the MUDA that does not permit immediate termination, you will have the opportunity to cure the default within 30 days of receiving a notice of default from us, except for the defaults below that require cure in a shorter time or that are non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement and MUDA if you cure the default within 10 days of receiving a notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement and MUDA if you cure the default within 7 days of receiving a notice of default.
(h) “Cause” defined-non-curable defaults	<b>Franchise Agreement:</b> Section 19  <b>MUDA:</b> Section 7	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: (i) fail to select a location for the franchised business within 6 months after the effective date of the Franchise Agreement; (ii) fail to begin operations of the franchised business within 12 months of signing the Agreement; (iii) fail to execute or require managers, staff, spouses, or any other required



<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		<p>personnel to execute the confidentiality and non-competition agreement, (iv) fail to satisfactorily complete our Initial Training Program; (v) made a material misrepresentation, false statement or omission in the application to obtain the right to operate the franchised business; (vi) after a notice to cure, fail to cease engaging in activities, behavior, or conduct likely to adversely affect the reputation of the franchised business, our reputation, or the reputation of the franchise System; (vii) are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of the franchised business, our reputation, or the reputation of the franchise System; (viii) misuse or make unauthorized use of the Proprietary Marks; (ix) use any of the Confidential Operations Manual, trade secrets, or other confidential information in an unauthorized manner; (x) make an unauthorized transfer of the franchised business or an interest in the franchised business; (xi) fail to operate the franchised business in strict compliance with all applicable civil and criminal laws, ordinances, rules, regulations and orders of governmental authorities; (xii) understate any amounts due to us by more than 5% more than twice; (xiii) receive more than 3 valid notices of default in the same 12-month period, regardless of whether previous defaults have been cured; (xiv) default under any other agreement with us or an affiliate for which we or our affiliate have the right to terminate the agreement; or (xv) are adjudicated bankrupt, insolvent, or make a general assignment for the benefit of creditors.</p> <p>We have the right to terminate the MUDA without giving you an opportunity to cure if: i) You make or attempt to make an unauthorized sale, assignment, transfer, conveyance, gift or encumbrance of any part of or interest in the MUDA; ii) You made any material misrepresentation or omission in the application for the MUDA; iii) You are convicted of or plead no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the</p>

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		Proprietary Marks; iv) You make any unauthorized use of the Proprietary Marks or unauthorized use or disclosure of the Confidential Information; v) we have delivered a notice of termination for a Franchise Agreement between us and you in accordance with the terms and conditions of said agreement, or you have terminated a Franchise Agreement without cause; or vi) You fail to comply with any other provision of the MUDA and you do not correct it within thirty (30) days after written notice from us.
(i) Franchisee obligations on termination/non-renewal	<b>Franchise Agreement:</b> Section 20  <b>MUDA:</b> Section 8	If the Franchise Agreement is terminated or not renewed, you must: (i) immediately cease operating the franchised business; (ii) immediately cease using any trade secrets, confidential information, the franchise System, and the Proprietary Marks; (iii) not directly or indirectly represent or give the impression to the public that you were a present or former franchisee or were in anyway connected to the franchise System; (iv) cancel or assign to us any assumed names; (v) pay all amounts due to us, including Liquidated Damages as a result of the termination or non-renewal, within 7 days of the termination or expiration of the Agreement; (vi) return the Confidential Operations Manual, trade secrets and all other confidential information and provide a certificate of compliance within 15 days of the termination or expiration of the Agreement; (vii) return or discontinue use of all forms, advertising materials, devises, insignias, slogans, designs, signs, and any trade dress and provide a certificate of compliance within 15 days of the termination or expiration of the Agreement; (viii) cease to use any methods, procedures, techniques, copyrights, Proprietary Marks, trade names, and patents associated with the franchise System in which we have a proprietary right, title, or interest and provide a certificate of compliance within 15 days of the termination or expiration of the Agreement; (ix) transfer and assign all telephone numbers to us; and (x) strictly comply with the covenants not to compete and any other surviving provisions of the Agreement.

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		If the MUDA is terminated, you must comply, at your expense, with each of the following obligations: i) You must immediately pay us any amounts owed to us that are then unpaid, plus any interest due; ii) You must sign a confidentiality agreement, and shall continue to maintain the absolute confidentiality of any trade secrets and other Confidential Information disclosed or otherwise learned or acquired by you during the term of the MUDA and shall not use such trade secrets and other Confidential Information in any other business or venture; and iii) strictly comply with all other provisions of the MUDA pertaining to post-termination obligations, including, without limitation, the post-term covenant not-to-compete.
(j) Assignment of contract by franchisor	<b>Franchise Agreement:</b> Section 21  <b>MUDA:</b> Section 6	There are no restrictions on our right to assign our interest in the Franchise Agreement and/or MUDA.
(k) “Transfer” defined	<b>Franchise Agreement:</b> Section 21  <b>MUDA:</b> Section 6	A “Transfer” includes transfer of an interest in the franchised business, the Franchise Agreement, the MUDA, or the franchised business’ assets, in any manner whatsoever.
(l) Franchisor approval of transfer by franchisee	<b>Franchise Agreement:</b> Section 21  <b>MUDA:</b> Section 6	You may not make a Transfer without our prior written consent.
(m) Conditions for franchisor approval of transfer	<b>Franchise Agreement:</b> Section 21  <b>MUDA:</b> Section 6	We may consent to a Transfer if: (i) we have not exercised our right of first refusal; (ii) the transferee meets the then-current standards and requirements and does not own a Competitive Business; (iii) the transferee and all persons owning an interest in the transferee sign the then-current form of the Franchise Agreement; (iv) the transferee agrees, at transferee’s expense, to complete our Initial Training Program to our satisfaction before assuming management of the franchised business; (v) the transferee and all persons owning an interest in the transferee have agreed to be personally bound by all provisions of the Franchise Agreement; (vi) the transferee agrees to upgrade or renovate the Approved Location, if applicable, in accordance with our then-current standards; (vii) the transferee has obtained all necessary types of insurance; (viii) all

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		<p>monetary obligations owed to us are paid; (ix) you have complied with all material obligations under the Agreement or any other agreement with us or our affiliates; (x) you sign a general release in a form the same as or similar to the General Release attached to the Agreement as Exhibit D; (xi) either you or the transferee pay us the then-current Transfer Fee; and (xii) you strictly comply with the covenants not to compete and any other surviving provisions of the Agreement.</p> <p>The conditions for our approval of a Transfer of the MUDA, which may be granted or withheld in our discretion, are: i) we have not exercised our right of first refusal; ii) you have fully paid and satisfied all obligations owed to us; iii) you have executed a general release of any and all claims against us, our owners, officers, directors and employees, in their corporate and individual capacities; iv) the prospective transferee meets our then-current criteria for management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as we may require to demonstrate its ability to carry out the obligations contained herein; v) you have provided us with a complete copy of all contracts and agreements and related documentation between you and the prospective transferee relating to the intended sale or transfer of the MUDA; vi) you, or the transferee, has paid us a transfer fee in the amount of 50% of the Franchise Fee for each Franchise to be developed under the MUDA; vii) the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied; and viii) you have executed and delivered to us a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement.</p>
(n) Franchisor’s right of first refusal to	<b>Franchise Agreement: Section 21</b>	We have the right to match any offer to purchase the franchised business and/or the

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
acquire franchisee's business	<b>MUDA:</b> Section 6	MUDA or an ownership interest in either that you propose to sell.
(o) Franchisor's option to purchase franchisee's business	<b>Franchise Agreement:</b> Section 21 <b>MUDA:</b> Section 6	During the 60-day period after the termination or expiration of the Franchise Agreement, we have the right, but not the obligation, to purchase some or all of the assets of the franchised business for Fair Market Value.
(p) Death or Incapacity of franchisee	<b>Franchise Agreement:</b> Section 21 <b>MUDA:</b> Section 6	Upon the death or Incapacity of an owner of the franchise or Developer (as defined in the MUDA), his or her executor, administrator, conservator, or other personal representative must transfer the interest in the franchise to a third-party approved by us within a reasonable time not to exceed 90 days from the date of death or Incapacity, subject to state law, or we may terminate the Franchise Agreement.
(q) Non-competition covenants during the term of the franchise	<b>Franchise Agreement:</b> Section 22 <b>MUDA:</b> Section 8	<p>You, your owners (and members of their immediate families) and your officers, directors, executives, managers, professional staff and employees are prohibited from attempting to divert any business or customer of the franchised business to a competitive business, to engage in activity that causes injury to the Proprietary Marks or the franchise System, or to own or work for a Competitive Business.</p> <p>You, owners of the developer (and members of their immediate families) and the developer's officers, directors, executives, managers, professional staff, and employees shall be subject to all of the restrictive covenants set forth in the Franchise Agreement which are incorporated into the MUDA by reference.</p>
(r) Non-competition covenants after the franchise is terminated or expired	<b>Franchise Agreement:</b> Section 22 <b>MUDA:</b> Section 8	For 3 years commencing upon the date of (a) a transfer permitted under the Franchise Agreement; (b) expiration of the Agreement; (c) termination of the Agreement (regardless of the cause for termination); (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of the covenants not to compete or (e) any or all of the foregoing, you, your owners (and members of their immediate families) and your officers, directors, executives, managers, professional staff and employees are prohibited

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		<p>from either directly or indirectly, through, on behalf of, or in conjunction with any person or legal entity to (i) own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any business that (a) primarily offers or provides (I) bakery items; (II) artisanal breakfast; (III) specialty or gourmet coffee; or (IV) other services that are the same as or similar to the services being offered by Parlor under the franchise System; and (b) is, or is intended to be, (I) located within your Territory; (II) located within a 15 mile radius of your Territory; or (III) within a 15 mile radius of the territory of any other Parlor franchisee; or to (ii) solicit or influence any customers, employees, or business associates to compete with Parlor or terminate their relationship with Parlor.</p> <p>You, owners of the developer (and members of their immediate families) and the developer's officers, directors, executives, managers, professional staff, and employees shall be subject to all of the restrictive covenants set forth in the Franchise Agreement which are incorporated into the MUDA by reference.</p>
(s) Modification of the Franchise Agreement	<p><b>Franchise Agreement:</b> Section 26</p> <p><b>MUDA:</b> Section 12</p>	No amendment, change, or variance from the Franchise Agreement or MUDA shall be binding upon either you or us except by mutual written agreement. We may modify the Confidential Operations Manual without your consent; provided, however, that such modification will not materially alter your rights under the Agreement.
(t) Integration/merger clause	<p><b>Franchise Agreement:</b> Section 27</p> <p><b>MUDA:</b> Section 13</p>	Only the terms of the Franchise Agreement, MUDA, and other related written agreements are binding, subject to state law. Any other representations or promises outside of the FDD, Franchise Agreement, or MUDA may not be enforceable. No claim made in any Franchise Agreement or MUDA is intended to disclaim the express representations made in this FDD.
(u) Dispute resolution by arbitration or mediation	<p><b>Franchise Agreement:</b> Section 24</p> <p><b>MUDA:</b> Section 11</p>	Except for certain claims listed in the Franchise Agreement and MUDA, and subject to state law, all disputes must first be submitted by the parties to non-binding mediation in

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>SUMMARY</b>
		Vanderburgh County, Indiana. If the parties first submit any claims to mediation and the dispute is unable to be resolved through mediation, then either party may initiate a suit, action, or legal proceeding in Vanderburgh County, Indiana.
(v) Choice of forum	<b>Franchise Agreement:</b> Section 24  <b>MUDA:</b> Section 11	Either party may initiate a suit, action or legal proceeding; provided, however, that such suit, action, or legal proceeding shall only be brought in Vanderburgh County, Indiana.
(w) Choice of Law	<b>Franchise Agreement:</b> Section 24  <b>MUDA:</b> Section 11	Subject to state law, Indiana law applies, except that disputes over the Proprietary Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

**ITEM 18  
PUBLIC FIGURES**

We do not presently use any public figures to promote our franchise. We reserve the right to do so in the future.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The below tables provide the actual historic lowest average, average, and highest average monthly Gross Sales for the relevant time periods in the 2023 fiscal year that the locations were in operation. Corporate includes all corporate shops except the location on South Broadway in Nashville TN. It is a small, drop-site location (e.g. no fryers on site), with a limited menu, inside a hotel. It is not typical of the type of location you will operate. If the location was included, the average monthly gross sales, for 9 corporate shops, would be \$84,314. The information for freestanding locations, end cap/corners (including those in strip malls), in-line units (in strip malls), and locations with drive thrus include both corporate and franchise locations.

	Number of Shops	Lowest Average Monthly Gross Sales	Average Monthly Gross Sales	Highest Average Monthly Gross Sales
Corporate Shops	8	\$ 34,822	\$ 90,950	\$ 142,008
<b>ALL SHOPS (Corporate and Franchises)</b>				
Freestanding	8	\$ 67,541	\$ 106,492	\$ 135,288
End Cap/Corner	18	\$ 41,051	\$ 85,156	\$ 150,794
In-Line (strip mall)	11	\$ 24,859	\$ 55,124	\$ 103,963
<b>ALL SHOPS (Corporate and Franchises) with a Drive Thru</b>				
With Drive Thru	10	\$ 54,696	\$ 104,771	\$ 150,794

As a new franchise, the results achieved by these existing locations may not be typical for your franchise. There is no assurance you'll do as well. If you rely upon these figures, you must accept the risk of not doing as well.

Since we are a relatively new franchise, we are only including initial investment and sales information in the Disclosure Document at this time. We encourage any potential franchisee to work with their accountant to develop pro formas.



**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System Wide Outlet Summary For 2021 – 2023**

<b>SYSTEM WIDE OUTLET SUMMARY</b>				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	2	+2
	2022	2	9	+7
	2023	9	29	+20
Company Owned Outlets	2021	4	10	+6
	2022	10	11	+1
	2023	11	9	-2
<b>Total Outlets</b>	<b>2021</b>	<b>4</b>	<b>12</b>	<b>+8</b>
	<b>2022</b>	<b>12</b>	<b>20</b>	<b>+8</b>
	<b>2023</b>	<b>20</b>	<b>38</b>	<b>+18</b>

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners for 2021 - 2023**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS</b>		
State	Year	Number of Transfers
<b>All States – Total</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>1</b>

**Table No. 3  
Status of Franchised Outlets for 2021 - 2023**

<b>STATUS OF FRANCHISED OUTLETS</b>								
State	Year	Outlets at Start of the Year	Outlets Opened	Terminated	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
SC	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TX	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	4	0	0	0	0	6
FL	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	5	0	0	0	0	7
IN	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	4	0	0	0	0	5
KY	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MO	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
AL	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
CO	2021	0	0	0	0	0	0	0
	2022	0	0	1*	0	0	0	0
	2023	0	2+	0	0	0	0	2
TN	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
PA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
GA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<b>All States - Total</b>	<b>2021</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2022</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
	<b>2023</b>	<b>9</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>

\*Note: The franchisee for this location signed a franchise agreement; however, due to personal circumstances outside of Parlor’s control, elected not to move forward.

+ Note: The franchisor sold two corporate locations to a franchisee in 2023.

**Table No. 4  
Status of Company Owned Outlets For 2021 – 2023**

<b>STATUS OF COMPANY OWNED OUTLETS</b>								
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Ceased Operations for Other Reasons	Outlets Sold to Franchisees	Outlets at the End of the Year
CA	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	1+	0	0	1
FL	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
IN	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	1*	0	2
	2023	2	1	0	0	0	0	3
CO	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	2	0
TN	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
<b>Total</b>	<b>2021</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>
	<b>2022</b>	<b>10</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>11</b>
	<b>2023</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>9</b>

+Note: Did not renew the lease for a small, non-traditional location in Solana Beach, CA.

\*Note: This initial Parlor Doughnuts location ceased operations temporarily to move to a larger location.

**Table No. 5**  
**Projected Openings**  
**as of December 31, 2023**

<b>PROJECTED OPENINGS</b>			
<b>State</b>	<b>Franchise Agreements Signed but Outlet Not Yet Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlet in the Next Fiscal Year</b>
AL	2	2	0
AR	1	1	0
AZ	4	4	0
CA	3	20	0
DE	1	0	0
FL	10	7	0
GA	4	3	0
IL	4	3	0
IN	7	5	0
KS	2	1	0
KY	3	3	0
LA	1	11	0
MI	7	6	0
MO	1	1	0
MS	2	1	0
NC	1	1	0
NV	1	1	0
OH	2	2	0
PA	1	1	0
SC	4	2	0
TN	7	5	1
TX	2	2	0
UT	2	1	0
<b>Total</b>	<b>72</b>	<b>55</b>	<b>1</b>

**Exhibit D** to this FDD is a list of our franchises and outlet owners as of the end of our last fiscal year, and the addresses and telephone numbers of their franchised businesses.

**Exhibit E** to this FDD is the name, city and state, and current business telephone number of the franchisees who had an outlet terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise System during the last fiscal year, or who have not communicated with us within ten (10) weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

There are no trademark-specific franchisee organizations associated with the franchise System that have been either (i) created, sponsored, or endorsed by us, or (ii) incorporated or otherwise organized under state law and which have asked us to be included in our disclosure document during the next fiscal year.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing their experiences as a franchisee in our franchise System with you.

**ITEM 21  
FINANCIAL STATEMENTS**

Parlor began offering franchises in 2021. Attached to this FDD as **Exhibit G** is Parlor's audited balance sheet for the fiscal year ending on December 31, 2021. Further attached in **Exhibit G** are fully audited Financial Reports for the years ending on December 31, 2022 and December 31, 2023. Parlor's fiscal year ends on December 31.

**ITEM 22  
CONTRACTS**

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

**Exhibit A** – List of State Administrators

**Exhibit B** – Franchise Agreement and Exhibits

**Exhibit C** – Multi-Unit Development Agreement and Exhibits

**Exhibit D** – List of Current Franchisees

**Exhibit E** – List of Franchisees Who Have Left the System

**Exhibit F** – Operations Manual-Table of Contents

**Exhibit G** – Audited Balance Sheet for 2021 and Fully Audited Financial Report for 2022 and 2023

**Exhibit H** – List of Agents for Service of Process

**Exhibit I** – State Specific Disclosures and State Specific Addenda to Agreements

**Exhibit J** – Franchise Compliance Certification

**Exhibit K** – Disclosure Document Receipt (last pages of Disclosure Document)

**ITEM 23  
RECEIPT**

**Exhibit K** to this FDD contains two (2) receipt pages by which you acknowledge your receipt of this FDD with an Issuance Date of **March 25, 2024**. One of the copies is for your records. The other one must be signed, dated, and returned to Paul Bair at 204 Main Street, Suite D, Evansville, IN, 47708 or by email at [franchising@parlordoughnuts.com](mailto:franchising@parlordoughnuts.com).

**EXHIBIT A**  
**LIST OF STATE ADMINISTRATORS**

The following is a list of state administrators responsible for registration and review of franchises for these states. We may register in one or more of these states.

<p><u>California</u></p> <p>Department of Business Oversight One Sansome Street, Suite 600 San Francisco, California 94104</p> <p>Department of Business Oversight 320 W. 4<sup>th</sup> Street, Suite 750 Los Angeles, California 90013</p> <p>Department of Business Oversight 1515 K. Street, Suite 200 Sacramento, California 95814 (866) 275-2677 Toll Free</p>	<p><u>Nebraska</u></p> <p>Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, Nebraska 68509</p>
<p><u>Connecticut</u></p> <p>Connecticut Banking Commissioner Department of Banking Securities &amp; Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103</p>	<p><u>New York</u></p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty St., 21<sup>st</sup> Floor New York, New York 10005 212-416-8285</p>
<p><u>Florida</u></p> <p>Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, Florida 32399-6500</p>	<p><u>North Carolina</u></p> <p>Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, North Carolina 27603-5909</p>
<p><u>Hawaii</u></p> <p>Commissioner of Securities Department of Commerce &amp; Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>North Dakota</u></p> <p>North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5<sup>th</sup> Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p>

<p><u>Illinois</u></p> <p>Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><u>Rhode Island</u></p> <p>Department of Business Regulation JOHN O. PASTORE COMPLEX 1511 Pontiac Avenue Bldg. 69, First Floor Cranston, Rhode Island 02920</p>
<p><u>Indiana</u></p> <p>Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204</p>	<p><u>South Carolina</u></p> <p>Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201</p>
<p><u>Kentucky</u></p> <p>Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, Kentucky 40601-8204</p>	<p><u>South Dakota</u></p> <p>Department of Labor and Regulation Division of Securities 124 Euclid, Suite 104 Pierre, South Dakota 57501</p>
<p><u>Maine</u></p> <p>Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333</p>	<p><u>Texas</u></p> <p>Office of the Secretary of State Statutory Document Section 1019 Brazos Street Austin, Texas 78701</p>
<p><u>Maryland</u></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202</p>	<p><u>Utah</u></p> <p>Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114</p>
<p><u>Michigan</u></p> <p>Department of the Attorney General Consumer Protection Division, Franchise Section 525 Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933</p>	<p><u>Virginia</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9<sup>th</sup> Floor 1300 East Main Street Richmond, Virginia 23219</p>

<p><u>Minnesota</u></p> <p>Minnesota Department of Commerce  Commissioner of Commerce  85 7<sup>th</sup> Place East, Suite 600  St. Paul, Minnesota 55101</p>	<p><u>Washington</u></p> <p>Department of Financial Institutions  Securities Division  150 Israel Road Southwest  Olympia, Washington 98501</p>
	<p><u>Wisconsin</u></p> <p>Division of Securities  Department of Financial Institutions  345 West Washington Avenue  Madison, Wisconsin 53703</p>



**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**PARLOR DOUGHNUTS FRANCHISING, LLC**

An Indiana Limited Liability Company

204 Main Street, Suite D  
Evansville, Indiana 47708

Unit Franchise Agreement

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

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

Location: \_\_\_\_\_

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### **EXHIBITS**

**Exhibit A** –Territory and Approved Location

**Exhibit B** – Ownership Verification

**Exhibit C** – Personal Guaranty

**Exhibit D** – General Release

**Exhibit E** – Sample Confidentiality, Non-Disclosure and Non-Competition Agreements

**Exhibit F** – Electronic Funds Transfer Form

**Exhibit G** – Lease Rider

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is effective as of \_\_\_\_\_ (“Effective Date”) by and between Parlor Doughnuts Franchising, LLC an Indiana limited liability company, with a principal business address of 204 Main Street, Suite D, Evansville, Indiana 47708 (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) whose principal business address is \_\_\_\_\_ if Franchisee is a business entity or partnership, or who is located in \_\_\_\_\_ if Franchisee is an individual.

### RECITALS

The Franchisor and its Affiliates, as a result of practical business experience, have developed, and are in the process of developing, the System identified by “PARLOR DOUGHNUTS®” relating to the establishment and operation of an operating craft doughnut and coffee shops offering an array of unique bakery items, including but not limited to our original *layered* doughnuts; vegan, gluten-friendly, and low-carb/keto-friendly products; minis, artisanal breakfasts; and specialty coffee (hereinafter referred to as “Franchised Business”). In addition to the Proprietary Marks, the distinguishing characteristics of the System include uniform standards and procedures for efficient business operations; the business model; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies, techniques and Trade Secrets and other Confidential Information; and the Confidential Operations Manual.

Franchisor grants qualified persons and business entities a license to the Proprietary Marks and System in order for the franchisee to operate a franchised business using the System and the Proprietary Marks, subject to laws, rules, and regulations governing design and the like. Franchisee desires to operate a Franchised Business and has submitted to Franchisor an application and other pertinent information, including any financial information requested by Franchisor, which fully and truthfully sets forth the information therein, and Franchisee has further advised Franchisor of all persons who will hold interests in the franchise. Franchisor has approved Franchisee’s application to own and operate a Franchised Business upon reliance on the information contained in the application including but not limited to the business skill, financial capacity, and character of Franchisee if Franchisee is an individual or the character of Franchisee’s owners if Franchisee is a business entity.

Franchisee hereby acknowledges that Franchisee has read this Agreement and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s standards of quality and service to protect and preserve the trademarks and goodwill associated therewith and Franchisee agrees to operate the Franchised Business in strict conformity with Franchisor’s System.

**THEREFORE**, Franchisor and Franchisee, intending to be legally bound, for and in consideration of the covenants hereinafter following, do covenant and agree as follows:

## SECTION 1 - DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

- Affiliate(s) means any business entity that controls, is controlled by, or is under common control with Franchisor or Franchisee, respectively.
- Agreement means this Franchise Agreement and its exhibits and any amendments thereto.
- Annual Convention Fee means the then-current registration fee for attending the convention for Franchisee, project managers, and crew leaders.
- Approved Location means the location used for the operation of the Franchised Business that is built out to the Franchisor's standards and specifications to provide the authorized products and services.
- Approved Supplier has the meaning given to it in Section 10 of this Agreement.
- Claim has the meaning given to it in Section 24 of this Agreement.
- Competitive Business means any business that offers or provides (or grants franchises or licenses to others to operate a business that primarily offers or provides) (I) bakery items, including but not limited to donuts; (II) artisanal breakfast items; (III) specialty or gourmet coffee; or (IV) other goods that are the same as or similar to the goods being offered by Parlor under the franchise System.
- Confidential Information means any information used in or related to the Franchised Business and not commonly known by or available to the public, including but not limited to the methods, processes, skills, know-how, formulas, recipes, techniques, information, trade practices, customer lists or databases, software, proprietary data, Trade Secrets, and any other information identified or labeled by Franchisor as confidential when provided to Franchisee. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.
- Confidential Operations Manual means the manual setting out the operations and procedures for operating the Franchised Business compiled by the Franchisor, regardless of form, and any other items that may be provided, added, changed, modified, or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures, and specifications of the System.
- Consulting Assistance Fee means One Hundred Dollars (\$100) per hour for consulting assistance requested by Franchisee and provided by Franchisor in addition to the Initial Training Program and required additional and on-going training.

- Control means the beneficial ownership of more than fifty percent (50%) of the ownership interest of a company or the legal power to direct or cause the direction of the general management of the company. The terms “controls,” “controlled,” and the expression “change of control” shall be construed accordingly.
- Controlled Entity has the meaning given to it in Section 21 of this Agreement.
- Day means a period of twenty-four (24) consecutive hours ending at 12:00 midnight.
- Effective Date means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term.
- Fair Market Value means the price that the business sells for in the open market.
- Force Majeure Event has the meaning given to it in Section 19 of this Agreement.
- Franchised Business means the Parlor shop to be established and operated by Franchisee pursuant to the terms of this Agreement.
- Franchisee means the individual or entity, as well as its Principals, defined as “Franchisee” in the introductory paragraph of this Agreement.
- Franchisor means Parlor Doughnuts Franchising, LLC.
- GAAP means the generally accepted accounting principles, standards, and procedures used by accountants to prepare financial statements.
- Grand Opening Campaign means marketing, advertising, and public relations advertising of the Franchised Business subject to a marketing plan approved by the Franchisor.
- Gross Sales means the total revenues derived by the Franchised Business from all sales of the Franchised Business, whether from cash, check, credit, barter, or otherwise, without reserve or deduction for inability or failure to collect the same and whether such business is conducted in compliance with, or in violation of, the terms of this Agreement. Gross Sales does not include refunds to customers, credits, discounts or the amount of any sales taxes or other similar taxes that Franchisee might be required to collect, and does collect, from customers to be paid to any federal, state, or local taxing authority. Gross Sales also does not include revenue from selling or issuing Parlor gift cards (but your revenue from selling products and services to customers using those gift cards for payment is included in Gross Sales).
- Impacted Party has the meaning given to it in Section 19 of this Agreement.
- Initial Franchise Fee means the sum of \$40,000.00, payable in accordance with Section 3 of this Agreement.
- Initial Term means the ten (10) year period immediately following the Effective Date.

- Initial Training Program means the training provided by Franchisor before Franchisee opens the Franchised Business consisting of in-person training, classroom training, and online training at Franchisor’s headquarters, the Franchised Business, or another location designated by Franchisor.
- Incapacity means a mental or physical condition, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee from supervising the operation of the Franchised Business for a collective period of three (3) months from the onset of such physical or mental condition.
- Internet means the global computer network consisting of interconnected networks using standardized communication protocols.
- Local Advertising means advertising, promotions and public relations conducted by Franchisee within the Territory, including community support and product donations
- Management Fee: 25% of the monthly Gross Sales payable by the Franchisee to the Franchisor in accordance with Sections 7 and 21 of this Agreement.
- Marketing Fund means a System-wide marketing, advertising and promotion fund to maximize general public recognition and acceptance of the Proprietary Marks and for other benefits for the System.
- Principals means any person or entity who has an ownership interest in Franchisee if Franchisee is a legal entity.
- Products and Services: the products and services offered and sold by the Franchised Business, as the same may, from time to time, be amended by notification in writing by the Franchisor to the Franchisee.
- Proprietary Marks means the trademark “Parlor ” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, slogans, drawings, and other commercial symbols, registered or unregistered, as Franchisor may designate to be used in connection with the System.
- Relocation Fee has the meaning given to it in Section 6 of this Agreement.
- Renewal Fee means a sum equal to fifty percent (50%) of the then-current Initial Franchise Fee.
- Royalty Fee has the meaning given to it in Section 13 of this Agreement.
- System means the uniform and distinctive business format and method developed and implemented by the Franchisor in connection with the Proprietary Marks using the intellectual property, Confidential Information, operational procedures, specifications, methods, management, marketing, and advertising techniques and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of Franchised Businesses.
- Territory has the meaning given to it in Section 5 of this Agreement.

- Trade Secrets means a type of Confidential Information in any form related to or used in the System that is not commonly known by or available to the public and such information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
- Transfer has the meaning given to it in Section 21 of this Agreement.
- Week means any period of seven (7) consecutive days.
- Year means any period of twelve (12) consecutive months.

## SECTION 2 - GRANT OF FRANCHISE

Upon the terms and conditions of this Agreement, Franchisor hereby grants Franchisee, and Franchisee hereby accepts, a revocable, limited, non-transferable, non-assignable, non-sub-licensable license to use the Proprietary Marks and System solely for the purpose of operating the Franchised Business under the name “PARLOR DOUGHNUTS®.” Franchisee agrees to operate the Franchised Business in accordance with the System and this Agreement, subject to laws, rules, and regulations governing restaurants and the like, and solely within the Territory unless otherwise approved in writing by Franchisor. Franchisee shall not sublicense the use the Proprietary Marks or the System to any person or entity.

In all dealings with third parties, including, without limitation, customers and employees, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity operating under a franchise granted by Franchisor. Franchisee shall submit all applications and enter into all contracts in its designated corporate name or such other fictitious names which have been approved by Franchisor. Nothing in this Agreement is intended by the parties to create a fiduciary relationship between them, nor to constitute Franchisee or Franchisee’s employees or contractors as an agent, legal representative, subsidiary, joint venture, partner, or employee of Franchisor for any purpose whatsoever. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, warranty, or representation or to create or imply any obligation on behalf of Franchisor.

Franchisee and its Principals must execute a personal guaranty in favor of Franchisor in the same form, or substantially similar form, as the personal guaranty attached to this Agreement as **Exhibit C**.

## SECTION 3 - TERM AND RENEWAL

### A. Initial Term.

The Initial Term of this Agreement shall begin on the Effective Date first set forth above and shall expire on the date that is ten (10) years after the Effective Date, unless sooner terminated pursuant to this Agreement.

### B. Renewal Terms.

Franchisee has the right to renew this Agreement at the expiration of the Initial Term by entering into a new agreement, which shall be in the Franchisor’s then current form of Franchise Agreement for two 5-year periods. Franchisor shall provide Franchisee written notice of its approval of the renewal not less than six (6) months before the end of the Initial Term, if the following conditions have been fulfilled and continue to be met as of the last day of the Initial Term:



- Franchisee provides Franchisor with not less than six (6) months but not more than nine (9) months' written notice before expiration of this Agreement of its intent to renew;
- Franchisee is not in default or in violation of this Agreement or any other agreement with Franchisor, its Affiliates, or any of its Approved Suppliers;
- Franchisee has paid all monetary obligations owed to Franchisor, its Affiliates, or any of its Approved Suppliers;
- Franchisee has completed all required additional training;
- Franchisee makes all required renovations and upgrades to the Approved Location to comply with then-current standard required of new franchisees;
- Franchisee signs the then-current standard Franchise Agreement which may contain terms and conditions that are materially different from those in the original Agreement and which will supersede this Agreement in all respects;
- Franchisee pays the Renewal Fee; and
- Franchisee has executed a general release, in a form the same as or similar to the General Release attached as **Exhibit D**, that releases any and all claims against Franchisor, any Affiliates and their respective officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

If Franchisee does not comply with the conditions for renewal from the time the renewal is requested to the last day of the Initial Term, Franchisee agrees that Franchisor shall be deemed to have good cause to refuse to renew the Agreement. Failure or refusal by Franchisee to execute any agreements, instruments, and/or documents required by Franchisor in connection with such renewal within thirty (30) days after delivery to Franchisee (unless otherwise agreed) shall be deemed an election by Franchisee not to renew the Agreement.

#### **SECTION 4 - INITIAL FRANCHISE FEE**

Franchisee shall pay Franchisor an Initial Franchise Fee of Forty Thousand Dollars (\$40,000.00). The Initial Franchise Fee is fully earned by Franchisor when Franchisee signs the Franchise Agreement and is payment, in part, for costs and expenses incurred by Franchisor in providing assistance and services to Franchisee, including general sales and marketing expenses, training, legal, accounting and other professional fees.

If Franchisee does not complete the Initial Training Program to Franchisor's satisfaction, then Franchisor may terminate this Agreement. The retention of the Initial Franchise Fee shall not be construed as or considered to be a penalty.

## SECTION 5 - TERRITORY

### A. Territory

During the Initial Term, and provided Franchisee is not in default of this Agreement or any other agreement between Franchisor and Franchisee, neither Franchisor nor its Affiliates shall open for business, grant a franchise, license or otherwise authorize any other person or entity to open for business, a Parlor business within the Territory designated on the attached **Exhibit A**.

Franchisee is not restricted from selling authorized Products and Services to customers residing outside of its Territory; provided, however, that Franchisee is only permitted to sell the authorized products and services at and from the Approved Location. Otherwise, Franchisee is not permitted to solicit consumers outside of its Territory.

### B. Rights Reserved

Franchisee acknowledges that except to the extent provided herein, Franchisor and its Affiliates expressly retain the right to:

- Operate and grant others the right to operate a Parlor franchise anywhere outside of its Territory;
- Develop, operate and grant others the right to operate any future concepts that are not included within the franchise System at any location anywhere;
- Use and license the use of other trademarks or methods which are not a part of the franchise System at any location anywhere;
- Operate any business that offers bakery items, artisanal breakfast items, or specialty coffee (whether under development or already in operation) included in any business acquisition at any location outside of the Territory; and
- Distribute or license any goods, services, or concepts, in or outside of the Territory, regardless of whether such goods, services, or concepts are authorized for Parlor franchises or are distributed or licensed under the Proprietary Marks, through other channels of distribution, including, but not limited to the Internet or through consulting services.

## SECTION 6 - APPROVED LOCATION

### A. Approval of Location

Franchisee is required to have a full-service, brick and mortar location to operate the Franchised Business and, if a location has not been selected and approved at the time this Agreement is executed, it must be located and approved within six (6) months from the Effective Date. Franchisee must either own or lease a building for the Franchised Business within the Territory and Franchisee must obtain Franchisor's approval before purchasing or leasing the building. Approval of a location is based on Franchisor's sole discretion as to whether the proposed location meets Franchisor's site selection criteria.

## B. Build-Out of Approved Location

After selecting the location for the Approved Location, Franchisee must commence build-out of the Approved Location within three (3) months of receiving Franchisor approval, unless otherwise agreed. Franchisor may, in its sole discretion, furnish Franchisee with prototype design plans, specifications, décor and/or layout for the Approved Location, including requirements for design, color scheme, image, interior layout for fixtures, equipment, signs, and furnishings and space requirements relative to the Franchised Business. These samples are merely to provide guidance on the design and layout of other Parlor locations and Franchisor makes no representation or warranty concerning the suitability of the samples for building out the Approved Location.

Franchisee is required to ensure that any construction plans and specifications provided by Franchisor comply with Franchisee's local ordinances, building codes and permit requirements, and with lease requirements and restrictions. Franchisee must make changes specified by Franchisor to the construction plans from time to time during the build-out and Franchisee must not begin construction, remodeling or other development of the Approved Location until Franchisor has approved the plans. Franchisee must not make changes to the approved construction plans unless such changes are presented to and approved by Franchisor in writing.

Without limiting Franchisee's foregoing obligations, Franchisee agrees, at its own expense, to do the following with respect to developing the Approved Location:

- Sign a lease or otherwise obtain the right to occupy the Approved Location within five (5) months of the Effective Date;
- Obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the Franchised Business;
- Construct all required improvements to the Approved Location in compliance with construction plans and specifications approved by Franchisor;
- Provide Franchisor with notice of commencement of the build-out within ten (10) days of the date it began;
- Receive the review and approval of Franchisor for your commercial lease prior to signing;
- Commence the build-out of the Approved Location in accordance with Franchisor's standards and specifications within three (3) months following approval of the location by Franchisor;
- Ensuring that any design, working drawings, specifications, construction, renovation, or refurbishment complies with any applicable law, including any requirements relating to disabled persons;
- Be responsible for any errors or omissions or discrepancies (of any nature) in any drawings or specifications; and
- Cause the discharge or release of record of any and all liens which may be recorded or perfected or which may otherwise attach to all or any portion of the Franchised Business as result of work done by or for the Franchisee within ten (10) days after notification of the existence of any such lien.

### C. Relocation of Approved Location

Franchisee shall not change the location of the Approved Location without Franchisor's prior written authorization. Franchisor reserves the right to approve or deny Franchisee's relocation request in Franchisor's discretion based upon, without limitation, Franchisor's own business judgment, Franchisee's compliance with this Agreement, and the proposed new location. In the event Franchisor approves Franchisee's relocation request, Franchisee will be required to pay Franchisor a Relocation Fee of Five Thousand Dollars (\$5,000).

## **SECTION 7 - OPENING AND OPERATION OF THE FRANCHISED BUSINESS**

### A. Opening of the Franchised Business

Franchisee shall not open the Franchised Business for business without written authorization from the Franchisor. Franchisor shall provide its authorization for opening the Franchised Business once Franchisee has: (i) completed the Initial Training Program to Franchisor's satisfaction; (ii) hired any necessary personnel required for operating the Franchised Business and such personnel has completed any required training; (iii) provided Franchisor with copies of all required insurance policies or such other acceptable evidence of insurance coverage; (iv) satisfactorily demonstrated that Franchisee is ready to open and able to meet Franchisor's specifications and standards for operating the Franchised Business; and (v) paid all amounts due to Franchisor or its Affiliates.

Franchisee must use its best efforts to open the Franchised Business to the public within eighteen (18) months of the Effective Date, unless otherwise authorized in writing by the Franchisor. In the event Franchisee fails to open the Franchised Business within the specified time period, Franchisor has the right to terminate this Agreement or extend the time to open an additional six (6) months. If the Agreement is terminated under these circumstances, Franchisor shall have the right to retain the entire Initial Franchise Fee paid by Franchisee for consideration of the Franchisor's services, time expended, work performed, and other efforts of Franchisor. The retention of the Initial Franchise Fee shall not be construed as or considered to be a penalty.

### B. Operation of the Franchised Business

The Franchised Business shall only be operated by Franchisee, if Franchisee is an individual, or by a manager, if Franchisee is a legal entity, after such individual has successfully completed the Initial Training Program. If Franchisee is a legal entity, Franchisee shall notify Franchisor in writing of the identity of all individuals who will be managers and department managers at the time they are hired. If at any time a new shop manager is hired, such individual must complete the Initial Training Program to the satisfaction of the Franchisor within thirty (30) days of hiring.

Franchisee is solely responsible for recruiting, hiring, firing, and supervising employees to operate the Franchised Business and the terms and conditions of their employment. The employees of the Franchised Business will only be employees of Franchisee, and are not employees or agents of the Franchisor.

Franchisor reserves the right to require you to renovate the Franchised Business and such renovations may require you to invest additional capital; however, Franchisor will not request that you renovate the Franchised Business any more than once every five (5) years.

### C. Step-In Rights

Franchisee shall operate the Franchised Business in accordance with the standards, specifications, and procedures set forth in the Confidential Operations Manual and shall comply with any modifications to the standards, specifications, and procedures in the Confidential Operations Manual, or as otherwise directed in writing by the Franchisor, subject to laws, rules, and regulations governing restaurants and food – service businesses. If, in the Franchisor’s judgment, the Franchised Business is not being managed properly, the Franchisor may, but need not, assume the Franchised Business’ management.

All funds from the Franchised Business’ operation while the Franchisor assumes its management will be kept in a separate account, and all of Franchisor’s expenses will be charged to this account, including all travel, food, and lodging expenses incurred in the course of providing such services. Franchisor may charge Franchisee the Management Fee, plus the Franchisor’s direct out-of-pocket costs and expenses for managing the Franchised Business. Such fee would be in addition to the Royalty Fee and all other fees due under this Agreement.

In the event the Franchisor assumes management of the Franchised Business, Franchisor has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses or obligations the Franchised Business incurs, or be liable to any of Franchisee’s creditors. Franchisor will cease managing the Franchised Business and return management responsibilities to Franchisee at such time that Franchisor, in its sole discretion and as it sees fit, determines that Franchisee can manage the Franchised Business in accordance with this Agreement and Franchisor’s standards and specifications; provided, however, that if Franchisee does not resume management of the Franchised Business after six (6) months from the time Franchisor exercises its step-in rights, Franchisor may terminate this Agreement.

Notwithstanding the foregoing, prior to Franchisor operating the Franchised Business pursuant to the terms of this Section 7, the Franchisor shall have provided the Franchisee with notice of the nature and extent of Franchisee’s failure to comply with Franchisor’s operational requirements, standards, and specifications and the reasonable opportunity to cure the failure, so long as the opportunity to cure is expressly provided for under this Agreement.

## **SECTION 8 - TRAINING**

### A. Initial Training Program

The Initial Training Program will be made available to Franchisee, if Franchisee is an individual, or the managers, if Franchisee is a legal entity, and other designated staff at no additional cost. However, Franchisee shall be responsible for all travel, lodging, meals, and other expenses Franchisee and its representatives incur in providing the training and the travel, lodging, meals, and other expenses that it incurs. The Initial Training will take place at Franchisor’s headquarters, online, at Franchisee’s Approved Location, or at another location designated by Franchisor.

Franchisee (if having any hands-on involvement in the operation of the shop), its shop manager, and its shop managers must complete the Initial Training Program to the Franchisor’s satisfaction prior to opening the shop. In the event Franchisee fails to complete the Initial Training Program to the Franchisor’s satisfaction, Franchisor has the right to terminate this Agreement. As part of the training program, owners and shop managers are expected to work forty (40) hours in an Approved Location prior to opening the shop. Further, training for owners and managers in subsequent shops within a territory must be completed to our satisfaction prior to commencing the operation of your franchised business.

## B. Additional Training

Franchisor provides additional and on - going training to Franchisee as needed and when new shop managers are hired. If a new shop manager is hired or an existing employee is promoted to shop manager, Franchisee must provide seven (7) days' notice to Franchisor of the new hire or promotion. New shop managers must attend and complete training to Franchisor's satisfaction within thirty (30) days of being hired. Franchisee must pay Franchisor an additional training fee for shop managers. Additional staff may be included in the training for an additional fee.

Franchisee will also be required to participate in mandatory on – going training provided periodically by Franchisor.

In addition to any required training provided by us, your shop manager and all department managers, as well as any other employees required in accord with local regulations, are required to complete ServSafe® training at your expense.

## C. Consulting Assistance

In its sole discretion, Franchisor will periodically advise and offer general business guidance to Franchisee by telephone, e-mail, newsletters, and other methods on a variety of business matters, including operational methods, accounting procedures, authorized services or products and marketing and sales strategies. Franchisor's guidance is based on its founders' and its Affiliate's knowledge and experience and its advice related to the operation of the Franchised Business is for educational purposes only and to ensure compliance with Franchisor's standards and specifications.

Franchisee may request, in writing, more assistance outside of Franchisor's general business guidance and regularly scheduled training sessions. Upon such written request, Franchisor will provide Franchisee with consulting assistance at the Franchised Business in exchange for the Consulting Assistance Fee. Additionally, Franchisee must pay for all travel costs and expenses incurred by Franchisor for providing the consulting assistance. Franchisor has the right, without limitation, to modify the amount of the Consulting Services Fee in its sole discretion.

## **SECTION 9 - CONFIDENTIAL OPERATIONS MANUAL AND CONFIDENTIAL INFORMATION**

### A. Confidential Operations Manual

During the Initial Term, Franchisor shall loan Franchisee one (1) copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Business in strict compliance with the provisions of the Confidential Operations Manual. The Confidential Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Confidential Operations Manual shall, at all times, remain the sole property of Franchisor and shall be promptly returned to Franchisor upon the expiration or termination of this Agreement.

Franchisor has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Upon receiving notice of the additions or modifications, Franchisee must immediately adopt any such changes and shall ensure that its copy of the Confidential Operations Manual

is up-to-date at all times. Franchisee understands and acknowledges that such compliance may require Franchisee to incur increased costs.

If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

#### B. Confidential Information

Franchisee acknowledges and agrees that the methods, processes, skills, know-how, formula, recipes, techniques, information, trade practices, customer lists or databases, software and other proprietary data relating to the development and operation of the Franchised Business is derived entirely from information disclosed to Franchisee by Franchisor and that such information is proprietary, confidential, and constitutes trade secrets of the Franchisor. Franchisee shall at all times use its best efforts to keep the Confidential Information confidential and shall limit access to the information to employees and independent contractors of Franchisee on a need-to-know basis. Franchisee agrees to adhere fully and strictly to all confidentiality attached to such information and to exercise the highest degree of diligence in safeguarding Confidential Information during and after the term of this Agreement. Franchisor has the right to require certain individuals employed by or involved with the Franchised Business, including but not limited to, significant others and spouses, to execute a standard form confidentiality, nondisclosure, and non-competition agreements in a form the same as or similar to the Sample Confidentiality, Non-Disclosure and Non-Competition Agreement attached as **Exhibit E**.

Franchisee acknowledges that the unauthorized use or disclosure of Confidential Information will cause irreparable injury to the Franchisor and that damages are not an adequate remedy. Franchisee accordingly covenants that it shall not at any time, without Franchisor's prior written consent, disclose, use, permit the use thereof, copy, duplicate, reverse engineer, record, transfer, transmit, or otherwise reproduce such Confidential Information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source, except as may be required by applicable law or authorized by this Agreement. Disclosure of the Confidential Information may be made in judicial or administrative proceedings, but only to the extent Franchisee is legally compelled to disclose the Confidential Information and provided that Franchisee first gives Franchisor the opportunity to obtain an appropriate protective order or other assurance that the confidential nature of the material to be disclosed will be maintained.

### **SECTION 10 - AUTHORIZED PRODUCTS AND APPROVED SUPPLIERS**

#### A. Authorized Products and Services

Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality Products and Services to its customers. Accordingly, Franchisee shall provide or offer for sale or use only those products and services that Franchisor from time to time approves and that comply with Franchisor's specifications and quality standards. Franchisee agrees that it shall not sell any products and services that Franchisor has not authorized, and Franchisee agrees to discontinue offering or selling any products or services that are disapproved by Franchisor. Franchisor has the right to terminate this Agreement if unapproved products or services are offered, sold, or provided by the Franchised Business. Franchisee is not permitted to wholesale Franchisor's products, without Franchisor express consent, or sell "day old" layered doughnuts.

Franchisor has the right, without limit, to modify, add, or enhance the types of authorized Products and Services that Franchisee is required to offer and sell. Franchisor has the right to set maximum prices for the authorized products and services that Franchisee is required to sell, and Franchisee must not exceed the

maximum price, even if the prices are lower than prevailing prices in the relevant market, unless otherwise approved by Franchisor. Franchisee may determine the price for the products and services subject to the recommended and maximum prices established by Franchisor. Franchisee must honor all corporate discounts, specifically, the fifteen percent (15%) discount for veterans and members of the active military.

Franchisor has the right to allow certain products and services that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on various factors, including test marketing, a franchisee's qualifications, and regional or local differences.

#### B. Improvements to System

Franchisee acknowledges and agrees that if Franchisee develops any concept, process, design, service, or improvement in the operation or promotion of the Franchised Business, Franchisor will be deemed to own the improvements and may use them and authorize other franchisees to use them in the operation of their respective businesses without any obligation to compensate Franchisee. Any such improvements will also constitute Confidential Information.

Franchisee shall, at any time requested by Franchisor, execute assignments or other similar documents of all such intellectual property to the Franchisor, including but not limited to, worldwide copyrights, moral rights, patents, right to obtain registrations, renewals, and reissues, and any and all such other rights of whatever kind now known or hereafter devised.

#### C. Approved Suppliers

Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee agrees to purchase products, supplies, equipment, materials, services, and other items required for the operation of the Franchised Business from designated suppliers approved by Franchisor, which may include and be limited to Franchisor or its Affiliates ("Approved Suppliers").

A list of Approved Suppliers and standards and specifications for the products, supplies, equipment, materials, and other items required for operation of the Franchised Business are included in the Confidential Operations Manual and Franchisor may modify the list of Approved Suppliers or standards and specifications from time to time. If Franchisor or its Affiliates are designated as an Approved Supplier for any such products, suppliers, signs, equipment or other specified items and services, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliates.

Franchisor has the right to issue new standards and specifications through written notices and may review its prior approval of any goods, services, equipment, or suppliers in its sole discretion and as it sees fit. Franchisor shall notify Franchisee in writing if Franchisor's approval of goods, services, equipment, or suppliers is revoked. Franchisee must immediately cease purchasing disapproved goods or services, or must immediately cease purchasing goods or services from a disapproved supplier.

#### D. Request for Approval of New Supplier, Good, Service, or Equipment

If Franchisee desires to utilize any services, products, supplier, or equipment that Franchisor has not approved (for services and products that require supplier approval), Franchisee must submit such request, including the basis for the request, via email to Franchisor's designated representative. Approval is made on a case-by-case basis, and determined by Franchisor, in its sole discretion. Franchisor will make commercially reasonable efforts to determine whether to approve the requested service, product, supplier,



or equipment within thirty (30) days after receiving the required information and Franchisor will provide written notice of its approval or disapproval to Franchisee. Approval is at Franchisor's sole discretion and as it sees fit, and may be conditioned on the ability to provide sufficient quantity of goods or equipment, the quality of goods, services or equipment, the price of the goods, services, or equipment, the production and delivery capability of the supplier, and the dependability and general reputation of the supplier or goods, services, or equipment. If the request is approved, Franchisee may make purchases from the new supplier or purchase the new good, service, or equipment.

Nothing in this Section 10 shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, any standards and specifications that Franchisor deems confidential.

## **SECTION 11 - COMPUTER AND SOFTWARE REQUIREMENTS**

Franchisee must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet Franchisor's standards and specifications outlined in the Confidential Operations Manual or otherwise designated by Franchisor in writing.

Franchisee is required to use the designated software to track all customer contact information, purchases, pricing, analytics, and accounting, and provide Franchisor access to your software, including but not limited to, your point-of-sale system ("POS"), loyalty reward program, gift card program, and online ordering program. Franchisee must pay the designated vendor pursuant to the terms and conditions of Franchisee's agreement with the vendor in order to use this software. Currently, Franchisee is required to use Toast for its POS and payment processor. The fee to use the software may be modified in the designated vendor's discretion.

Franchisor reserves the right, without limitation, to modify or supplement the hardware or software required in the operation of the Franchised Business and Franchisee may be required to make and install substantial modifications to the computer system, software, or hardware during the Initial Term to efficiently operate the Franchised Business.

Franchisee acknowledges and agrees that Franchisor has the free and unfettered right, subject to state and federal law, to retrieve data and information stored in the software or on Franchisee's hard drive, either internally or externally, that Franchisor deems necessary, desirable, or appropriate. The business information or data that will be collected or generated includes, but is not limited to, sales data, trend analysis, records, social media accounts, email, customer reviews, pricing information, customer demographics, and the like.

## **SECTION 12 - INSPECTIONS**

### **A. Pre-Opening Inspection**

Franchisor will conduct one (1) pre-opening inspection of the Franchised Business, which may be done via video-conference, to ensure Franchisee is following Franchisor's standards and specifications. The Franchised Business may not open without Franchisor's written authorization after the pre-opening inspection has been completed and Franchisee has successfully demonstrated that it is complying with Franchisor's standards and specifications. Franchisor's authorization for opening the Franchised Business is limited solely to reviewing and confirming compliance with Franchisor's standards and specifications and does not warrant, represent, guarantee, or assure that the Franchised Business will be successful, profitable, or meet Franchisee's expectations.

## B. Post-Opening Inspections

Franchisor reserves the right to conduct post-opening inspections of the Franchised Business in Franchisor's sole discretion to determine compliance with Franchisor's standards and specifications. Franchisor will conduct the inspections during regular business hours and without giving prior notice to Franchisee. Franchisor reserves the right to conduct as many post-opening inspections per year as it deems necessary.

## SECTION 13 - FEES

### A. Royalty Fee

On the Friday of each week, Franchisee shall pay to Franchisor an amount equal to five percent (5%) of the Gross Sales of the Franchised Business for the preceding week. The Royalty Fee shall be paid by electronic funds transfer ("EFT") from Franchisee's bank account through an automatic debit system. Additionally, Franchisor shall have access to Franchisee's point of sale system and Franchisee shall provide a report of the Gross Sales for the preceding week by email on the Friday of each week and the weekly report shall be in a form specified by Franchisor. The report shall fully disclose all information requested and Franchisee must supply documentation supporting the information disclosed on the reports upon Franchisor's written request.

### B. Annual Convention Fee

If scheduled by Franchisor, the Franchisee, if Franchisee is an individual, or an owner, if Franchisee is a legal entity, the managers, and the department managers will have the option to attend the annual convention for continuing education and training. To attend the annual convention, Franchisee must pay the Annual Convention Fee and will be responsible for all costs and expenses incurred by Franchisee and its employees in attending the convention including but not limited to all travel, lodging, meals, and other expenses.

### C. Late Fee

If any fee or any other amount due under this Agreement is not received within five (5) days after such payment is due, Franchisee shall pay Franchisor a Late Fee of Ten Percent (10%) of the balance due. In addition, Franchisee shall pay interest equal to twelve percent (12%) per annum on the overdue amount per year for each day such amount is past due.

### D. Electronic Transfer

Franchisor requires all Royalty Fees, Marketing Fund contributions, Consulting Assistance Fee, and other amounts due to Franchisor to be paid through EFT. Franchisee shall give Franchisor authorization, in a form designated or approved by Franchisor, to initiate debit entries or credit correction entries to the Franchised Business' operating account for payments of any fees due to Franchisor and other amounts due under the Franchise Agreement, including any applicable interest charges. Franchisor does not have a standard form of an EFT authorization document, but a sample form of one is attached hereto and incorporated by reference as **Exhibit F**. The form may vary based on Franchisee's or Franchisor's banking institution. Franchisee shall make the funds available in the operating account for withdrawal by electronic transfer no later than the due date of the payment.

### E. Franchisor's Right to Offset

Franchisor shall have the right at any time before or after termination of this Agreement, without notice to Franchisee, to offset any amounts or liabilities that may be owed by the Franchisee to Franchisor against any amounts or liabilities that may be owed by Franchisor to Franchisee under this Agreement or any other

agreement, transaction, or relationship between the parties. Under no circumstances shall Franchisee have the right to offset any amounts or liabilities that may be owed by the Franchisor to Franchisee against any amounts or liabilities that may be owed by Franchisee to Franchisor under this Agreement or any other agreement, transaction, or relationship between the parties.

## **SECTION 14 - ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **A. National Marketing Fund**

Franchisor has established a Marketing Fund and each week Franchisee is required to contribute an amount equal to one percent (1%) of the total weekly Gross Sales of the franchised business. Company-owned locations owned by Franchisor and/or its Affiliates may, but shall not be obligated to, contribute to the Marketing Fund on the same basis as franchisees.

Franchisor reserves the right to adjust the amount of the Marketing Fund contribution (such amount shall not exceed 3% of Franchisee Weekly Gross Sales) at any time and in its discretion; provided, however, that Franchisor shall notify Franchisee at least thirty (30) days before imposing or changing Marketing Fund Contribution requirements.

Franchisor has the exclusive right to direct all marketing programs financed by the Marketing Fund, including the right to control the creative concepts, materials, and endorsements. Franchisor has the right to determine the geographic market, media placement, and allocation of the Marketing Fund and has no obligation to administer the Marketing Fund in such a manner as to ensure that expenditures by the Marketing Fund are pro rata or that Franchisee will benefit directly from the conduct of marketing programs or from the placement of advertising.

The Marketing Fund may be used to pay the costs for your local social media sites and online activity. The Marketing Fund may also be used to pay the costs of preparing and producing video, audio, and printed marketing materials; administering multi-regional and national marketing programs, including but not limited to purchasing television, radio, magazine, billboard, newspaper, digital, and other media advertising; employing advertising agencies and/or public relations firms to assist with marketing and advertising; and providing marketing materials to franchisees. The Marketing Fund may be used to meet any and all costs reasonably related and incident to administering the Marketing Fund and its related programs, including administrative costs. Franchisor will not use the Marketing Fund to solicit new franchisees under any circumstances.

The Marketing Fund will be accounted for separately from Franchisor's other funds. However, the Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligations to its franchisees with respect to the Marketing Fund or with the monies collected. Franchisor is permitted to spend in any fiscal year an amount greater or less than the aggregate contributions of franchisees to the Marketing Fund in that year. Any part of the Marketing Fund contributions that are not spent during the fiscal year would remain in the Marketing Fund to be used in the next fiscal year. An unaudited statement of monies collected, and expenditures made by the Marketing Fund will be prepared annually and provided to Franchisee upon written request.

Franchisor may, in its sole discretion, decide to terminate or suspend the Marketing Fund at any time; provided, however, that the Marketing Fund will not be terminated unless and until all Marketing Fund contributions have been expended for advertising and promotional purposes or returned to franchisees on a pro rata basis based on the total Marketing Fund contributions made by each franchisee.

## B. Local Advertising and Community Support

Franchisee is required to conduct Local Advertising to promote the Franchised Business. Accordingly, every month, Franchisee must spend an amount equal to one percent (1%) of the total monthly Gross Sales of the franchised business per month on Local Advertising within the Territory, including community support and product donations. Additionally, Franchisee must sponsor a minimum of two (2) community engagements, events or activities per year. The specific engagement, event, or activity must be pre – approved in writing by Franchisor before Franchisee signs any agreement or otherwise commits in writing to sponsor such engagement, event, or activity. Local Advertising expenditures shall be made directly by Franchisee and Franchisee must provide monthly reports of its Local advertising expenditures to Franchisor no later than the tenth (10<sup>th</sup>) day of the following month.

Franchisee is permitted to create and use its own marketing and advertising materials to advertise the Franchised Business; provided, however, that such marketing and advertising materials are submitted to and pre-approved in writing by Franchisor before such materials are used and all materials expressly state that Franchisee is an independently owned and operated franchise of Parlor Doughnuts Franchising, LLC. Franchisor will make commercially reasonable efforts to notify Franchisee of its approval or disapproval of the proposed advertising material within thirty (30) days after Franchisor receives all the necessary information for review. If Franchisor does not approve of the proposed materials within the specified timeframe, then they shall be deemed to be disapproved. Franchisor may approve, disapprove, or revoke approval of any advertising materials for any reason and at any time. Franchisee shall not use any marketing materials that Franchisor has disapproved.

## C. Grand Opening Advertising

Franchisee is required to conduct a Grand Opening Campaign subject to a marketing plan approved by Franchisor and to spend a minimum of Three Thousand Dollars (\$3,000) on such Grand Opening Campaign at least one (1) month before opening the Franchised Business. The Grand Opening Campaign expenditures shall count toward Franchisee's local advertising requirement. Franchisee must provide a report of its Grand Opening Campaign expenditures to Franchisor no later than forty-five (45) days after the end of the Grand Opening Campaign as defined by the marketing plan.

Franchisor will provide Franchisee with grand opening assistance at the Franchised Business for at least the two (2) days before and two (2) days after Franchisee grand opening. Franchisee is responsible for Franchisor's travel and lodging expenses incurred by Franchisor's representatives for providing the grand opening assistance at the Franchised Business.

## D. Internet and Social Media

Franchisee shall not set up, maintain, or utilize an Internet website, home page, or other social media account to advertise the Franchised Business or sell Products and Services. Franchisor retains the sole right to advertise and sell the Products and Services online and to use the Proprietary Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, e-commerce, social media, and co-branding arrangements. In addition, all digital media and marketing must be approved by us. We will provide information about your franchise on our website or such other websites as we may designate for the System. In addition, we will establish, manage, and control social media accounts on your behalf for your local market/territory. You will have the right to submit content to us for posting in coordination with the overall marketing plan.

Franchisor has established and maintains an Internet website that provides information about the System and the services and products that Franchisor and its franchisees provide. Franchisor reserves the right to use this uniform resource locator, or any other that it may acquire in the future, in Franchisor's sole discretion. Franchisor will include a section or an interior page containing information about the Franchised Business. Franchisor has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting.

Franchisee shall not cause or allow the Proprietary Marks to be used or displayed, in whole or in part, as an Internet domain name, or on or in connection with any Internet website, home page, or social media account without the Franchisor's express prior written consent, which Franchisor may grant or withhold in its sole discretion. If Franchisor provides its consent to such use, then Franchisee may only use the Proprietary Marks in accordance with Franchisor's procedures, standards and specifications as established from time to time.

### **SECTION 15 - PROPRIETARY MARKS**

Upon the terms and conditions of this Agreement, Franchisor hereby grants you the right to use the Proprietary Marks in the operation of the Franchised Business. Franchisee expressly acknowledges that Franchisor is the owner of the Proprietary Marks and understands that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement, is non-exclusive, and is limited to use in the operation of the Franchised Business in compliance with this Agreement and Franchisor's standards, specifications, and operating procedures. Franchisee shall not acquire any ownership rights in the Proprietary Marks and shall not represent in any manner that Franchisee has acquired such ownership rights. Franchisee acknowledges and agrees that any and all goodwill associated with the System and identified by the Proprietary Marks shall inure directly and exclusively to the benefit of the Franchisor.

Franchisee shall use the Proprietary Marks only in such manner as authorized by the Franchisor and shall not use the Proprietary Marks in Franchisee's business entity name (if Franchisee is a business entity) or in connection with offering, selling, or advertising any unauthorized products or services. Any unauthorized use of the Proprietary Marks by Franchisee shall constitute a breach of this Agreement. Franchisee understands and agrees that any use of the Proprietary Marks other than in accordance with this Agreement, the Confidential Operations Manual, or otherwise directed in writing by the Franchisor, without the Franchisor's prior written consent, is an infringement of Franchisor's rights in the Proprietary Marks. Franchisee expressly covenants that, during the Initial Term and thereafter, Franchisee shall not, directly or indirectly, commit any act of infringement or contest the validity of the ownership of the Proprietary Marks or Franchisor's right to use and sublicense the Proprietary Marks, or aid others in infringing or contesting the Franchisor's right, title, and interest in the Proprietary Marks. Franchisee acknowledges that the unauthorized use of the Proprietary Marks will cause irreparable injury to the Franchisor and that damages are not an adequate remedy.

Franchisor reserves the right to modify or discontinue use of any Proprietary Mark, or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols in Franchisor's sole discretion. If Franchisor exercises such right, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Proprietary Marks within fifteen (15) days after notice from the Franchisor. Any and all expenses or costs incurred by Franchisee associated with such modification or discontinuance of any new, modified, or substitute Proprietary Marks shall be the sole responsibility of Franchisee. In no event, will the Franchisor be liable to Franchisee for any purported loss or damage to the Franchised Business due to the modification or discontinued use of the Proprietary Marks.

Franchisee must notify the Franchisor immediately of any infringing or unauthorized use of or claim by any person of any rights in the System or the Proprietary Marks. Franchisee shall not communicate with any person other than Franchisor and its counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee’s counsel at Franchisee’s expense. Franchisor shall have the sole right to handle disputes with third-parties concerning the Proprietary Marks and/or the System. If Franchisor undertakes the defense or prosecution of any litigation pertaining to the Proprietary Marks, Franchisee must reasonably sign any documents and do acts and things as may, in Franchisor’s attorneys’ opinion, be necessary to the defense or prosecution. Franchisor is not obligated to defend Franchisee’s right to use the Proprietary Marks or against claims of infringement or unfair competition arising out of Franchisee’s use of the Proprietary Marks.

## SECTION 16 - INSURANCE

### A. Insurance Coverage Requirements

Franchisee is required to maintain insurance, at Franchisee’s expense, prior to beginning construction or any other operations at the Franchised Business, with insurers which must have an A.M. Best Company Rating of A- VII or better. Franchisor must be named an additional insured for operational liability, including product liability, and for any and all damages that could occur to any person as a result of contact with items sold at the Franchised Business. In addition, all insurances shall be primary and non-contributory and include a waiver of subrogation in favor of Franchisor. Coverages shall also contain a provision obligating all insurers to provide written notice to Franchisor upon any cancellation or modification of coverage at least one (1) week prior to the effective date of such a change.

Franchisee must maintain the following insurance with the following required limits:

<b>Type of Insurance</b>	<b>Minimum Level of Coverage</b>
Worker’s Compensation (Note 1)	No less than \$500,000 each accident, \$500,000 each employee, and \$500,000 policy limit.
General Liability (including Personal and Advertising Injury)	\$1,000,000 per occurrence, \$2,000,000 aggregate.
Property Damage	Franchisee must maintain a minimum coverage sufficient to completely rebuild the Approved Location in the event of total loss. All real estate, betterments, and personal property required to adequately run the Franchised Business must be insured, with ‘all risk’ coverage commonly included. Franchisee must also carry business interruption insurance for the Approved Location, commonly listed as ‘Actual Loss Sustained – 12 months.’
Auto Coverage (Note 2)	Commercial coverage with \$1,000,000 combined single limit for bodily injury and property damage, plus any other state requirements.
Umbrella/Excess Liability	Franchisee must maintain an additional \$1,000,000 umbrella liability coverage to protect against personal injury, bodily injury, and property damage associated with the operations of the Franchised Business.
Specialty Coverage	\$2,000,000 product liability for any and all damages related to any person as a result of handling, eating, or ingesting any product at the Franchised Business.

Note 1: Workers Compensation is required when employees begin employment. In addition to the minimum level of coverage, there may also be additional coverages required by Franchisee's home state, which would also be required by Franchisor.

Note 2: Auto-coverage is only required if there is a vehicle associated with the business, including delivery, catering, or transportation of product.

#### B. Proof of Insurance

Within sixty (60) days of signing this Agreement, but not later than the time which Franchisee begins construction or any other business operations under the Proprietary Marks, a Certificate of Insurance showing compliance with the requirements above must be furnished to Franchisor for approval. Such form shall state policies cannot be cancelled or altered without at least one (1) week prior written notice to Franchisor and shall reflect proof of paid premiums.

Insurance coverage obtained by Franchisee pursuant to this Agreement will not relieve Franchisee of any liability under any indemnity provisions of this Agreement.

#### C. Franchisee's Failure to Procure Insurance

The minimum limits in Section 16(A) above may be modified from time to time, by written notice to Franchisee. Should Franchisee, for any reason, not comply and maintain such insurance coverage as is required, Franchisor shall have the right and authority (but no obligation) to procure such coverages and charge the same to Franchisee, plus a reasonable fee for expenses related to the procurement of such policies. This will be payable immediately upon notice.

### **SECTION 17 - INDEMNIFICATION**

Franchisee agrees to protect, defend, indemnify, and hold Franchisor and its Affiliates, their respective owners, members, managers, employees and agents, jointly and severally, harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, consequently, directly or indirectly incurred (including without limitation attorneys', accountants' and other related fees) which arise from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or Franchisor's Affiliates); (d) acts, errors or omissions committed or incurred in connection with the Franchised Business; or (e) infringement, violation or alleged infringement or violation of any Proprietary Marks, patent or copyright or any misuse of Franchisor's Trade Secrets or other Confidential Information. The obligations of this Section shall expressly survive the termination of this Agreement.

### **SECTION 18 - RECORDKEEPING, REPORTS AND ACCOUNTING**

#### A. Books, Records, and Accounts

Franchisee shall maintain and preserve full, complete, and accurate books, records, and accounts in accordance with GAAP, applicable law, and the Franchisor's standards and specifications for at least six (6) years following the end of the calendar year to which they relate. Franchisee shall record all sales, receipts of revenue, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

Franchisee shall deliver reports to the Franchisor no later than the Friday of each week during the term of this Agreement in a form that Franchisor approves or provides in the Confidential Operations Manual. Franchisee must also submit such other miscellaneous forms, reports, records, financial statements, and other information relating to the Franchised Business to Franchisor as Franchisor may reasonably request, in the form and at the times and places specified by Franchisor.

#### B. Financial Statements

Franchisee shall deliver to Franchisor, no later than the first day of second month following the end of each quarter, a balance sheet as of the last day of the preceding quarter and an income statement for the preceding quarter, along with any other sales data requested by Franchisor, in the manner and at the time specified in the Confidential Operations Manual or otherwise provided in writing by Franchisor. For example, the statements for Quarter 1 (January-March) are due no later than May 1. Further, all financial statement reports (quarterly and annually) are required to use templates provided by Parlor for the balance sheet and income statement. A sample chart of accounts will also be provided. All financial statements delivered to Franchisor by Franchisee shall be certified by Franchisee as true and correct.

Franchisee shall deliver to Franchisor financial statements, which have been compiled by a certified public accountant, within ninety (90) days after the close of Franchisee's fiscal year for each year during the Initial Term that reflects the financial condition of the Franchised Business at the end of such fiscal year. Such statements shall be in accordance with GAAP, applicable law, and the Franchisor's standards and specifications.

Franchisee shall submit to Franchisor copies of Franchisee's federal, state, and city income tax and sales tax returns, within ten (10) days after their respective filing, during the Initial Term.

Franchisor shall have the right to release financial and operational information relating to the Franchised Business in the Franchise Disclosure Document or to prospective franchisees as permitted by applicable franchise laws.

If Franchisee fails to submit the required financial statements and reports to Franchisor within the prescribed time period, Franchisor may, in its sole discretion, perform an operational audit of the Franchised Business in accordance with Section 18(C) of this Agreement, issue fines for non-compliance, and send a notice of default regarding the terms of this Agreement.

#### C. Franchisor's Right to Audit

Franchisor reserves the right to examine, audit, or copy Franchisee's books, records, tax returns, accounts, and such statistical and other information or records the Franchisor requires Franchisee to maintain and preserve. Examinations and audits may take place without prior notice, during normal business hours or at reasonable times and Franchisor may audit and inspect documents covering a period beginning with the date on which Franchisee first acquired the Franchised Business and ending on the date such audit is concluded. Inspections and audits may be conducted following the termination of this Agreement for any reason and Franchisee must provide such other assistance as may be reasonably requested related to the audit.

If the audit or any other inspection reveals that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay Franchisor the amount of the underpayment plus interest from the date the amount was due until paid at the rate of eighteen percent (18%) per annum or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher.



If the audit or any other inspection reveals that Franchisee has understated its Gross Sales by more than five percent (5%), then Franchisee shall pay any and all costs and expenses connected with the audit and inspection including without limitation travel expenses and reasonable accounting and attorneys' fees. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## SECTION 19 - DEFAULT AND TERMINATION

### A. Termination by Franchisor

Franchisor may terminate this Agreement for good cause without prejudice to the enforcement of any legal or equitable right or remedy immediately upon giving written notice of such termination and the reason or cause for the termination, and, except as hereinafter provided, without providing Franchisee an opportunity to cure the default. Without in any way limiting the generality of the meaning of the term "good cause," the following occurrences shall constitute sufficient basis for Franchisor to immediately terminate the Agreement:

- Franchisee fails to select a location for the Approved Location within six (6) months of the Effective Date;
- Franchisee fails to open the Franchised Business within twelve (12) months of the Effective Date;
- Franchisee does not execute **Exhibit E** of this Agreement, and/or does not require its managers, staff, spouse, or any other required personnel that has access to Confidential Information to sign the appropriate version of the **Exhibit E** of this Agreement; or
- Franchisee makes any materially false statement or report to Franchisor in connection with acquiring the Franchised Business;
- Franchisee sells or offers for sale any products or services which have not been previously approved by the Franchisor in writing, or which have been subsequently disapproved;
- Franchisee uses the Proprietary Marks in an unauthorized manner contrary to, or inconsistent with, this Agreement or Franchisor's policies, standards or specifications as stated in the Confidential Operations Manual, or as otherwise directed in writing by the Franchisor;
- Franchisee discloses or causes to be disclosed any Confidential Information provided to Franchisee contrary to the provisions of this Agreement or fails to exercise reasonable care to prevent such disclosure;
- Franchisee operates or is involved in a Competitive Business during the Initial Term, except as a Parlor franchisee;
- Franchisee makes or attempts to make an unauthorized transfer without Franchisor's approval or fails or refuses to assign the Franchised Business or the interest in Franchisee of a deceased or incapacitated Principal thereof as required by this Agreement (for the avoidance of doubt, an assignment by the Franchisee to a third party without the prior written consent of the Franchisor shall be considered an unauthorized transfer);

- Franchisee fails to operate the Franchised Business in strict compliance with all applicable laws, ordinances, rules, regulations and orders of governmental authorities pertaining to the maintenance and operation of the Franchised Business including, without limitation, those relating to health, safety, sanitation, employment, licensure, and taxation;
- Franchisee receives more than three (3) valid notices of default in the same twelve (12) month period, regardless of whether previous defaults have been cured;
- Franchisee understates its Gross Sales by more than five percent (5%) for any month on two (2) or more separate occasions at any time during the Initial Term and such understatement is not due to inadvertent error;
- Franchisee, or if Franchisee is a legal entity, its Principals, are convicted of, or pleads no contest to, any felony or crime of moral turpitude regardless of the nature thereof, or any other crime or offense relating to the operation of the Franchised Business;
- Franchisee engages in any conduct which reflects materially and unfavorably upon the operation of the Franchised Business, the Proprietary Marks, or the System generally;
- Franchisee defaults under any other agreement between Franchisor and Franchisee or Affiliate and Franchisee and such default authorizes Franchisor or Affiliate to terminate the agreement;
- Franchisee fails to pay any amount due to Franchisor within five (5) days of receiving notice of default; or
- Franchisee becomes insolvent, is adjudicated as bankrupt, or files any action or petition of insolvency; if a receiver or other custodian is appointed for the Franchised Business or assets; if Franchisee make a general assignment for the benefit of its creditors; or if a final judgment remains unsatisfied of record for at least thirty (30) days.

Franchisor has the right to terminate this Agreement if Franchisee is in default of any of the terms of this Agreement, other than those calling for immediate termination set forth above, if Franchisee fails to cure such default within thirty (30) days after receiving written notice of the default from Franchisor. Franchisor reserves the right to modify the time period within which Franchisee must cure defaults in its discretion.

#### B. Termination by Franchisee

Franchisee may not terminate this Agreement prior to the expiration of the Initial Term, except through dispute resolution as set forth herein based upon a material breach of this Agreement by Franchisor; provided, however, that in the event that Franchisee claims that Franchisor has failed to meet any obligation under this Agreement, Franchisee shall provide Franchisor with written notice of such claim specifically enumerating all alleged deficiencies and providing Franchisor with an opportunity to cure, which shall in no event be less than sixty (60) days from the date of receipt of notice by Franchisor from Franchisee. Failure by Franchisee to give notice shall constitute a waiver by Franchisee of any alleged default.

#### C. Force Majeure

Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any

failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other party hereunder), when and to the extent such failure or delay is caused by or results from acts beyond the impacted party's ("Impacted Party") control, including, without limitation, the following force majeure events ("Force Majeure Event(s)": (a) acts of God; (b) flood, fire, earthquake, epidemics, pandemics, or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order, law, or actions; (e) embargoes or blockades in effect on or after the date of this Agreement; (f) national or regional emergency; (g) strikes, labor stoppages or slowdowns, or other industrial disturbances; and (h) shortage of adequate power or transportation facilities.

## **SECTION 20 - POST-TERMINATION OBLIGATIONS**

### **A. Franchisee Post-Termination Obligations**

Upon expiration or other termination of this Agreement, all rights granted under this Agreement to Franchisee will immediately terminate, and Franchisee shall:

- immediately cease to operate the Franchised Business and will not directly or indirectly represent or give the impression to the public that it is a present or former franchisee of Franchisor;
- pay all amounts due to Franchisor, including Liquidated Damages, within five (5) days of the termination or expiration of the Agreement;
- return the Confidential Operations Manual, other proprietary information, software, and all Trade Secrets and confidential materials owned or licensed by the Franchisor and provide a certificate of compliance within fifteen (15) days of the termination or expiration of the Agreement;
- return or discontinue use of all forms, agreements, advertising material, marks, devices, insignias, slogans, designs, signs, trade dress, and any computer systems including proprietary software and/or hardware and provide a certificate of compliance within fifteen (15) days of the termination or expiration of the Agreement;
- cease to use any methods, procedures, or techniques associated with the System in which the Franchisor has a proprietary right, title, or interest and provide a certificate of compliance within fifteen (15) days of the termination or expiration of the Agreement;
- discontinue the use of all copyrights, Proprietary Marks, trade names and patents now or hereafter applied for or granted in connection with the operation of the Franchised Business and provide a certificate of compliance within fifteen (15) days of the termination or expiration of the Agreement;
- take such action as may be necessary to transfer all phone numbers for the Franchised Business to the Franchisor and to cancel any fictitious, trade, or assumed name or equivalent registration that contains any Proprietary Marks or any variations thereof; and
- strictly comply with all other provisions of this Agreement pertaining to post-termination obligations, including, without limitation, all post-term restrictive covenants.

## B. Franchisor's Right to Repurchase Products and Supplies

Upon the expiration or termination of this Agreement, Franchisor has the right, but not the obligation, to purchase any or all assets of the Franchised Business including equipment, supplies, and other inventory at Fair Market Value within sixty (60) days of the termination or expiration date. If Franchisor elects to exercise this option to purchase, it has the right to offset the purchase price against any other amounts owed by Franchisee to Franchisor pursuant to this Agreement or any other agreement between Franchisee and Franchisor.

## **SECTION 21 - TRANSFERS**

### A. Transfer by Franchisor

Franchisor has the right to assign this Agreement and any or all of its rights, obligations and privileges hereunder, in whole or in part, to any other person or entity without Franchisee's prior consent; provided, however, the assignee shall assume the obligations of Franchisor and Franchisor shall have no liability for performance of any obligations of this Agreement after the date of the assignment.

### B. Transfer by Franchisee

Franchisee acknowledges and agrees that its rights and duties stated in this Agreement are personal to Franchisee (or its Principals), and that Franchisor has entered into this Agreement in reliance on the business skill, financial capacity, and character of Franchisee (or its Principals). Accordingly, except as otherwise provided in this Section 21, neither Franchisee nor any Principal may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchised Business, the Franchised Business' assets, or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor ("Transfer"). Transfer shall include an asset sale, an equity sale, a merger, or any other agreement that would constitute a change of control of the Franchised Business. Any and all unauthorized transfers without Franchisor's approval shall be void and shall constitute a material breach of this Agreement.

Franchisor's consent to a Transfer may be conditioned upon fulfilling the following requirements:

- Franchisee notified Franchisor in writing of any bona fide proposed transfer and set forth a complete description of all terms, conditions, and fees of the proposed transfer in the manner prescribed by the Franchisor to comply with Franchisor's right of first refusal as set forth in Section 21(E) of this Agreement;
- Franchisee complied with the requirements of this Agreement, including paying all amount due to Franchisor or its Affiliates;
- The transferee meets all of Franchisor's then-current standards and requirements, including management, business and financial standards, and possessing the character, reputation, and capabilities Franchisor requires to satisfactorily demonstrate transferee's ability to operate the Franchised Business;
- The transferee (and its owners) shall execute the then-current form of the Franchise Agreement generally being offered to franchisees and such agreement shall generally provide for a new term and may be materially different from this Agreement;

- The transferee, or its owners if transferee is a legal entity, execute a personal guaranty in a form the same or similar to the Guaranty attached as **Exhibit C**, agreeing to be personally bound jointly and severally by all provisions of the Franchise Agreement;
- The transferee agrees that the transferee shall complete the Initial Training Program to Franchisor's satisfaction before assuming the management of the day-to-day operation of the Franchised Business;
- Franchisee signs a general release in a form the same as or similar to the General Release attached as **Exhibit D** of any and all claims against Franchisor and its Affiliates, including its owners, managers, members, partners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the Transfer of Franchisee's interest herein or to the Transfer of Franchisee's ownership of all or any part of the Franchised Business, except to the extent prohibited by the laws of the state where the Franchised Business is located;
- Franchisee or transferee shall pay a transfer fee in an amount equal to fifty percent (50%) of the then-current Initial Franchise Fee, which is intended to cover Franchisor's costs and expenses associated with the Transfer. Franchisee and transferee acknowledge that such a transfer fee is appropriate; and
- Transferee has obtained all necessary types of insurance as described in this Agreement.

Franchisor has the right to provide the transferee any and all records Franchisor maintains relating to this Agreement or the Franchised Business. Franchisee hereby agrees to release and hold Franchisor harmless from and against any claim, loss, or injury resulting from providing transferee with such records.

#### C. Transfer to a Controlled Entity

Franchisee may transfer this Agreement or any interest herein to a legal entity wholly owned by Franchisee that is formed for the financial planning, tax, or other convenience of Franchisee with the prior approval of Franchisor ("Controlled Entity"). Franchisor shall approve a transfer to a Controlled Entity if the following conditions are fulfilled:

- the Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;
- Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;
- all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to this Agreement;
- the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor. The term of the transferred franchise shall be the unexpired term of this Agreement;

- all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;
- each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and
- copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

#### D. No Encumbrance

Franchisee shall not in any event have the right to pledge, encumber, hypothecate, or otherwise give any third party a security interest in this Agreement in any manner whatsoever.

#### E. Right of First Refusal

If Franchisee (or any of its Principals) desire to sell or otherwise transfer the Franchised Business or any of its assets or an ownership interest in Franchisee, Franchisee shall obtain and deliver a bona fide, written offer to purchase and any supporting documents to Franchisor. Within thirty (30) days after Franchisor's receipt of the bona fide offer (or if Franchisor shall request additional information, within thirty (30) days after receipt of such additional information), Franchisor has the right to exercise its right of first refusal to purchase the offered assets or interest for the price and on the same terms and conditions contained in the bona fide offer delivered to Franchisor. After providing notice of Franchisor's intent to exercise its right of first refusal, Franchisor shall have sixty (60) days to purchase the offered assets or ownership interest. Franchisor has the right to substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

If Franchisor does not elect to exercise its right of first refusal within the specified time period above, Franchisee (or its Principals) may accept the offer or proposal by the third-party, subject to Franchisor's prior written approval. If Franchisee does not close the sale within six (6) months after the offer is delivered to Franchisor or the terms of the offer or proposal are materially changed, Franchisor's right of first refusal shall renew and Franchisee must comply with the conditions of this Section 21(E) before selling the assets or ownership interest to a third-party.

#### F. Transfer Upon Franchisee's Death or Incapacity

Upon Franchisee's death or Incapacity (if Franchisee is an individual) or any Principal (if Franchisee is a business entity), the appropriate representative shall within a reasonable time, not to exceed ninety (90) days from the date of death or Incapacity, transfer the interest in the Franchised Business or Franchisee to a third party approved by Franchisor and subject to the conditions of Section 21(B); provided, however, if the Franchised Business is transferred by gift, devise or inheritance, it is not subject to Franchisor's right of first refusal. Failure to dispose of such interest within the specified period of time will constitute a material breach of this Agreement and Franchisor reserves the right to terminate this Agreement.

Following the death or Incapacity of Franchisee (if Franchisee is an individual) or any Principal (if Franchisee is a business entity), Franchisor may, but need not, assume the Franchised Business' management and provide services on behalf of the Franchised Business until the interest is transferred to a third party approved by Franchisor. All funds from the Franchised Business' operation while the Franchisor assumes its management will be kept in a separate account, and all of Franchisor's expenses will be charged to this account, including all travel, food, and lodging expenses incurred in the course of providing such services. Franchisor may charge Franchisee the Management Fee for the provision of services on behalf of the Franchised Business, plus the Franchisor's direct out-of-pocket costs and expenses for managing the Franchised Business. Such fee would be in addition to the Royalty Fee and all other fees due under this Agreement. In the event the Franchisor assumes management of the Franchised Business, the Franchisor has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses, or obligations the Franchised Business incurs, or be liable to any of Franchisee's creditors.

## **SECTION 22 - RESTRICTIVE COVENANTS**

### **A. Non-Competition**

During the Initial Term and for a period of three (3) years after the expiration or termination of this Agreement, regardless of the cause for termination, Franchisee shall not, either directly or indirectly:

- Own an interest in, manage, operate, or provide assistance to any Competitive Business as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise within (i) the Territory; (ii) within a fifteen (15) mile radius of the Territory; or (iii) within a fifteen (15) mile radius of any other Parlor franchisee's territory operating at the time of termination or expiration of this Agreement; or
- Solicit or otherwise attempt to induce or influence any customer, employee, vendors, or suppliers to terminate or modify their business relationship with Franchisor, other Parlor franchisees, or to compete with Franchisor or other Parlor franchisees.

If Franchisee commits a breach of the restrictive covenants, the three (3) year restrictive period shall be tolled and start on the date that the former Franchisee is enjoined from competing or stops competing, whichever is later.

Nothing in this Agreement shall prevent Franchisee from owning for investment purpose up to an aggregate of two (2%) of the capital stock of any Competitive Business that is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ) as long as Franchisee does not Control any such company.

### **B. Severability and Reasonableness of Restrictive Covenants**

Franchisee acknowledges and agrees that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. Franchisee further acknowledges and agrees that the foregoing restrictions limit Franchisee's right to compete only to the extent necessary to protect Franchisor from unfair competition. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Franchisee and Franchisor agree that the same shall be enforced to the fullest extent permissible under the law. Franchisee expressly

acknowledges that Franchisee possesses skills and abilities of a general nature and have other opportunities for exploiting these skills and enforcing the non-competition provisions in this Agreement will not deprive Franchisee of personal goodwill or the ability to earn a living.

C. Enforcement of Restrictive Covenants

Franchisee acknowledges and agrees that a violation of the terms of the restrictive covenants in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law is available. Accordingly, Franchisee hereby consents to the entry of an injunction, without bond, prohibiting any conduct by Franchisee in violation of the terms of the restrictive covenants set forth in this Agreement.

**SECTION 23 - NOTICES**

All notices, requests, demands, payments, consents, and other communications required under this Agreement shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, or other form of delivery which provides for a receipt and otherwise agreed to in writing by the parties, to the addresses listed below. Either party may change its address by a written notice sent in accordance with this Section 23.

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC  
204 Main Street, Suite D  
Evansville, Indiana 47708

**FRANCHISEE:**

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

**With a copy to:**

Josh F. Brown, Esq.  
Taft Stettinius & Hollister, LLP  
One Indiana Square, Suite 3500  
Indianapolis, IN 46204  
Jbrown@taftlaw.com

**SECTION 24 - DISPUTE RESOLUTION AND GOVERNING LAW**

A. Mediation

All claims or disputes between Franchisee and Franchisor (or its Affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its Affiliates), or any of the parties' respective rights and obligations arising from such agreement must be submitted to non-binding mediation to take place in the State of Franchisor's then-current corporate headquarters in accordance with the American Arbitration Association ("AAA") Commercial Mediation Rules then in effect, unless otherwise mutually agreed in writing by the parties. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. Notwithstanding this, Franchisor shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim concerns an allegation that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating) any intellectual property rights in the Proprietary Marks, the System,



or in any Confidential Information; any of the restrictive covenants contained in this Agreement; or any of Franchisee's payment obligations under this Agreement.

#### B. Litigation

Franchisee and Franchisor agree that any claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where either party is suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory, and whether or not arising out of this Agreement ("Claim") that was not resolved during mandatory non-binding mediation must be submitted by the parties to a state or federal court whose jurisdiction encompasses Vanderburgh County, Indiana.

#### C. Governing Law

This Agreement shall be interpreted under the laws of the State of Indiana and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, of the State of Indiana, which laws shall prevail in the event of any conflict of law.

#### D. Injunctive Relief

Franchisee acknowledges and agrees that adherence to the terms and conditions of this Agreement are necessary to protect the value of the Franchisor's business. Franchisee therefore acknowledges and agrees that in the event of a breach or a threatened breach by Franchisee relating to Confidential Information, the Proprietary Marks, or restrictive covenants would result in irreparable injury to Franchisor. Accordingly, Franchisor shall be entitled to obtain injunctive relief, without posting bond, against any such breach. Franchisee acknowledges and agrees that seeking or obtaining injunctive relief shall not preclude Franchisor from making a claim for damages or other relief available at law or in equity.

#### E. Liquidated Damages

If this Agreement is terminated before its expiration due to Franchisee breaching its obligations under this Agreement, Franchisee shall pay to the Franchisor an amount equal to ten percent (10%) of the average monthly Gross Sales multiplied by the past twelve (12) months (the "Liquidated Damages"). The parties intend that the Liquidated Damages constitute compensation, and not a penalty. The parties acknowledge and agree that the Franchisor's harm caused by a breach by Franchisee that led to termination of the Agreement would be impossible or very difficult to accurately estimate, and that the Liquidated Damages are a reasonable estimate of the anticipated or actual harm that might arise from such termination.

#### F. Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

#### G. Attorneys' Fees

In any action arising out of or related to this Agreement (whether in state or federal court), the prevailing party must pay the non-prevailing party costs and attorney's fees if successful in bringing an action against other party arising out of, or related to the Franchise Agreement, including, but not limited to, an action to collect amounts owed to prevailing party. If both parties are awarded a judgment in any dollar amount, the

court shall determine which party is the prevailing party taking into consideration the merits of the claims asserted by each party, the amount of the judgment received by each party in relation to the remedies sought and the relative equities between the parties.

## **SECTION 25 - COMPLIANCE WITH LAWS**

Franchisee shall comply with all applicable federal and state laws, ordinances, rules, regulations and orders of governmental authorities pertaining to the maintenance and operation of the Franchised Business including, without limitation, those relating to health, safety, sanitation, employment, licensure and taxation. Franchisor has no obligation to advise Franchisee of any legislative or other legal developments that may affect its Franchised Business. Franchisee acknowledges and agrees that it is solely responsible for inquiring about and becoming familiar with all applicable laws, rules and regulations, and determining those actions required for compliance. Franchisee shall obtain any and all permits, certificates, and licenses required for the full and proper conduct of the Franchised Business. Any information Franchisor provides to Franchisee regarding applicable laws, rules or regulations does not relieve Franchisee of its responsibility to consult with its own legal advisor and otherwise take appropriate action to inquire about and comply with applicable laws, rules and regulations. Any violation of such laws, rules or regulations, as set forth in this paragraph, shall be deemed a default of this Franchise Agreement, and Franchisor may immediately terminate this Agreement.

## **SECTION 26 - MISCELLANEOUS**

### **A. Waiver**

No failure of Franchisor to enforce any rights or powers under this Agreement or to require strict compliance by Franchisee shall be construed as the waiver of such rights. Any waiver, including waiver of default, or acceptance of money or other performance by Franchisor from Franchisee, in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Franchisee shall not be deemed to have been excused from performance of any of its obligations pursuant to this Agreement, unless otherwise agreed to in writing and signed by an authorized representative of Franchisor and Franchisee.

### **B. Severability**

If any part, Section, sentence, or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the provision which is indefinite, invalid or unenforceable shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

### **C. Modification**

No amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee except by mutual written agreement.

### **D. Construction**

All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each section of this Agreement shall be construed independently of any other section or provision of this Agreement. As used in this Agreement, the words “include”, “includes” or “including” are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, approval or authorization of Franchisor that Franchisee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion. In addition, on any occasion where Franchisor is required or permitted hereunder to make any judgment or determination,

including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole judgment. Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

### SECTION 27 - ENTIRE AGREEMENT

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the Franchised Business and not as a result of any representations about Franchisor made by its officers, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

### SECTION 28 - ACKNOWLEDGEMENTS

Franchisee hereby acknowledges the following:

- A. FRANCHISEE WARRANTS AND REPRESENTS THAT FRANCHISEE HAS FULL POWER AND AUTHORITY TO ENTER INTO AND BE BOUND BY THIS AGREEMENT.
- B. FRANCHISEE IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER A DIFFERENT FORM OF AGREEMENT, AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.
- C. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR MAY APPOINT AN INDEPENDENT CONTRACTOR OR MULTI-UNIT DEVELOPER TO FULFILL FRANCHISOR'S OBLIGATIONS TO PROVIDE ASSISTANCE TO FRANCHISEE.
- D. NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF (I) WAIVING ANY CLAIMS UNDER ANY APPLICABLE STATE FRANCHISE LAW, INCLUDING FRAUD IN THE INDUCEMENT, OR (II) DISCLAIMING RELIANCE ON ANY STATEMENT MADE BY ANY FRANCHISOR, FRANCHISE SELLER, OR OTHER PERSON ACTING ON BEHALF OF THE FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

IN WITNESS WHEREOF, Franchisee and Franchisor have duly executed and delivered this Agreement, as of the Effective Date written above.

**FRANCHISEE:**

\_\_\_\_\_

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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

**EXHIBIT A**  
**TERRITORY**

1. The Territory referred to in Section 5(A) of the Agreement shall be:

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2. The Approved Location shall be located at:

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3. By execution hereof, Franchisor hereby acknowledges and approves the above stated Territory. The Franchisee acknowledges and warrants that Franchisor's acceptance of the Territory does not constitute a guarantee, recommendation, or endorsement of the Territory and does not guarantee the success of the Franchisee's Franchised Business.

**FRANCHISEE:**

---

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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

**EXHIBIT B**  
**OWNERSHIP VERIFICATION**

This form must be completed to provide the Franchisor of the type of business organization and the names and addresses of the individuals owning an interest in Franchisee, as well as, the percentage of said interest. Franchisor is relying on the truth and accuracy of the information set forth in awarding the franchise to Franchisee.

1. Form of Entity

Franchisee is a (check one):

- A. General Partnership \_\_\_\_\_
- B. Corporation \_\_\_\_\_
- C. Limited Partnership \_\_\_\_\_
- D. Limited Liability Company \_\_\_\_\_
- E. Other \_\_\_\_\_ Specify: \_\_\_\_\_

2. Business Entity

Franchisee was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_.  
Franchisee has not conducted business under any name other than Franchisee’s business entity name.

Business Name and Address:

\_\_\_\_\_

\_\_\_\_\_

The following is a list of all persons who have an ownership interest in Franchisee, their address, positions, and respective percentage of ownership:

NAME AND ADDRESS	POSITION	PERCENTAGE OF OWNERSHIP INTEREST

3. Governing Documents.

Franchisee agrees to provide Franchisor with copies of the documents and contracts governing the ownership, management, and other significant aspects of the business organization such as, articles of incorporation or organization, partnership, or shareholder agreements, upon reasonable request by the Franchisor.

**FRANCHISEE:**

\_\_\_\_\_

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

**EXHIBIT C**  
**PERSONAL GUARANTY OF FRANCHISE AGREEMENT**

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement by and between Parlor Doughnuts Franchising, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee” or “Guarantor”) and dated \_\_\_\_\_, the undersigned hereby jointly and severally guarantee unto Franchisor that the undersigned will perform and/or pay each and every covenant, payment, agreement, obligation, liability and undertaking on the part of Franchisee contained and set forth in or arising out of such Franchise Agreement, and every other agreement signed by the Franchisee with Franchisor (the “Obligations”).

Franchisor, its successors and assigns, may from time to time, without notice to the undersigned (a) resort to the undersigned for payment of any or all of the Obligations of the Franchisee to Franchisor, whether or not Franchisor or its successors have resorted to any property securing any of the Obligations or proceeded against any of the undersigned or any party primarily or secondarily liable on any of the Obligations; (b) release or compromise any Obligation of the Franchisee or of any of the undersigned hereunder or any Obligations of any party or parties primarily or secondarily liable on any of the Obligations; and (c) extend, renew or credit any of the Obligations of the Franchisee to Franchisor for any period (whether or not longer than the original period), alter, amend or exchange any of the Obligations, or give any other form of indulgence, whether under the Franchise Agreement or not.

Each of the undersigned further waives presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the foregoing Franchise Agreement and other agreements and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchisee and Franchisor resulting from such Franchise Agreement, other agreements or otherwise, and the settlement, compromise or adjustment thereof.

The undersigned jointly and severally agree to pay all expenses paid or incurred by Franchisor in attempting to enforce the Obligations and this Guaranty against Franchisee and against the undersigned and in attempting to collect any amounts due thereunder and hereunder, including reasonable attorneys’ fees if such enforcement or collection is by or through an attorney-at-law. Any waiver, extension of time or other indulgence granted from time to time by Franchisor or its agents, successors or assigns, with respect to the foregoing Obligations, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

The undersigned shall be bound by the restrictive covenants, confidentiality provisions, audit provisions, and the indemnification provisions contained in the Franchise Agreement.

If more than one person has executed this Guaranty, the term “the undersigned,” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

IN WITNESS WHEREOF, Franchisee and Franchisor have duly executed and delivered this Agreement, as of the Effective Date written above.

**GUARANTOR:**

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

**ACCEPTED AND AGREED TO:**

Parlor Doughnuts Franchising, LLC

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

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

**EXHIBIT D**

**GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on [DATE] by [ENTITY NAME], (“Releasor”) an [ENTITY TYPE] with a principal address of [ADDRESS] in consideration of:  
*(check applicable provision)*

- \_\_\_\_\_ the execution by Parlor Doughnuts Franchising, LLC, an Indiana limited liability company (“Releasee”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to Releasor by Releasee pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between Releasor and Releasee; or
- \_\_\_\_\_ Releasee’s consent to Releasor’s assignment of its rights and duties under the Franchise Agreement; or
- \_\_\_\_\_ Releasee’s consent to Releasor’s assumption of rights and duties under the Franchise Agreement

and other good and valuable consideration, the adequacy of which is hereby acknowledged.

Accordingly, Releasor hereby releases and discharges Releasee, Releasee’s officers, directors, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and Releasee’s successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that Releasor and Releasor’s heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Release arising out of or related to the Franchised Business or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by Releasor and Releasee.

**IN WITNESS WHEREOF**, Releasor has executed this General Release as of the date first above written.

**RELEASOR:**

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

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

**EXHIBIT E**  
**CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**  
**(SAMPLE –MANAGERS)**

In consideration of, and as an inducement to, employment with \_\_\_\_\_ (“Franchisee”), this Confidentiality, Non-Disclosure and Non-Competition Agreement is entered into by and between Franchisee and \_\_\_\_\_ (“Employee”) on this \_\_ day of \_\_\_\_\_, \_\_\_\_\_. Franchisee has entered into a Franchise Agreement for the operation of the Franchised Business. Franchisee desires Employee to have access to and review certain trade secrets and Confidential Information through the course of employment at the Franchised Business and Franchisee is required by its Franchise Agreement to have Employee execute this Agreement prior to providing access to the trade secrets and Confidential Information. Accordingly, in consideration of the receipt and/or use of information proprietary to the Franchisor by Franchisee, agrees as follows:

**1. CONFIDENTIALITY**

Employee acknowledges and agrees that Franchisee has access to Trade Secrets and Confidential Information relating to the development and operation of the Franchised Business. For the purposes of this Agreement, Confidential Information means any information used in or related to the Franchised Business and not commonly known by or available to the public, including but not limited to the methods, processes, skills, know-how, formulas developed for use in the franchise System, techniques, information, trade practices, customer lists or databases, software, proprietary data, trade secrets, and any other information identified or labeled by Franchisee as confidential when provided to Employee. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Employee; (b) Employee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

Employee agrees to exercise the highest degree of diligence in safeguarding Confidential Information during and after the term of this Agreement and to adhere fully and strictly to all confidentiality attached to such information. Employee acknowledges that the unauthorized use or disclosure of Confidential Information will cause irreparable injury to the Franchisee and that damages are not an adequate remedy. Employee accordingly covenants that it shall not at any time, without Franchisee’s prior written consent, disclose, use, permit the use thereof, copy, duplicate, record, transfer, transmit, or otherwise reproduce such Confidential Information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source, except as may be required by applicable law or authorized by this Agreement. Disclosure of the Confidential Information may be made in judicial or administrative proceedings, but only to the extent Employee is legally compelled to disclose the Confidential Information and provided that Employee first gives Franchisee the opportunity to obtain an appropriate protective order or other assurance that the confidential nature of the material to be disclosed will be maintained.

**2. NON-COMPETITION**

During Employee’s employment with Franchisee and for a period of two (2) years after the termination of Employee’s employment with Franchisee, regardless of the cause for termination, Employee shall not, either directly or indirectly:



- Own an interest in, manage, operate, or provide assistance to any Competitive Business as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise within (i) Franchisee's Territory; or (ii) within a fifteen (15) mile radius of Franchisee's Territory; provided, however, that this restrictive covenant shall not prevent Employee from becoming a Parlor franchisee if Employee is otherwise deemed qualified by Parlor Doughnuts Franchising, LLC; or

- Solicit or otherwise attempt to induce or influence any customer or employee to terminate or modify their business relationship with Franchisee or to compete with Franchisee.

For purposes hereof, Competitive Business shall mean any business that offers or provides (or grants franchises or licenses to others to operate a business that primarily offers or provides) (I) bakery items, including but not limited to donuts (II) artisanal breakfast items; (III) specialty or gourmet coffee; or (IV) other goods that are the same as or similar to the goods being offered by Parlor under the franchise System.

If Employee commits a breach of these restrictive covenants, the two (2) year restrictive period shall be tolled and start on the date that Employee is enjoined from competing or stops competing, whichever is later.

Nothing in this Agreement shall prevent Employee from owning for investment purpose up to an aggregate of two (2%) of the capital stock of any Competitive Business that is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ) as long as Employee does not Control any such company.

### **3. INJUNCTIVE RELIEF**

Employee acknowledges and agrees that adherence to the terms and conditions of this Agreement are necessary to protect the value of the Franchisee's business. Employee therefore acknowledges and agrees that in the event of a breach or a threatened breach of the restrictive covenants by Employee, Franchisee shall be entitled to obtain injunctive relief, without posting bond, against any such breach. Employee acknowledges and agrees that seeking or obtaining injunctive relief shall not preclude Franchisee from making a claim for damages or other relief available at law or in equity or that the existence of any claim or cause of action Employee may have against Franchisee predicated on this Agreement or otherwise shall not constitute a defense to the enforcement of this Agreement.

### **4. SEVERABILITY AND REASONABLENESS**

The parties agree that each of the provisions of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The parties further agree that the foregoing restrictions limit Employee's right to compete only to the extent necessary to protect Franchisee from unfair competition. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Employee and Franchisee agree that the same shall be enforced to the fullest extent permissible under the law. Employee expressly acknowledges that Employee possesses skills and abilities of a general nature and has other opportunities for exploiting these skills and enforcing the non-competition provisions in this Agreement will not deprive Employee of personal goodwill or the ability to earn a living.

**5. WAIVER**

No failure of Franchisee to enforce any rights or powers under this Agreement shall be construed as the waiver of such rights. Any waiver in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Employee shall not be deemed to have been excused from performance of any of its obligations pursuant to this Agreement, unless otherwise agreed to in writing and signed by an authorized representative of Franchisee.

**6. GOVERNING LAW**

This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchisee is located. Any action to enforce, challenge, or construe the terms of this Agreement or bring an action to recover for breach of this Agreement shall be litigated exclusively in a state or federal court whose jurisdiction encompasses the then-current principal office of the Franchisee. The parties hereby consent to personal jurisdiction and venue therein. Parties waive any right to object to personal jurisdiction or venue.

**IN WITNESS WHEREOF**, Employee and Franchisee have duly executed and delivered this Agreement, as of the Effective Date written above.

**FRANCHISEE:**

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

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

**EMPLOYEE:**

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

**CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**  
**(SAMPLE - STAFF)**

In consideration of, and as an inducement to, employment with \_\_\_\_\_ (“Franchisee”), this Confidentiality and Non-Disclosure Agreement (“Agreement”) is entered into by and between Franchisee and \_\_\_\_\_ (“Employee”) on this \_\_ day of \_\_\_\_\_, \_\_\_\_\_. Franchisee has entered into a Franchise Agreement for the operation of the Franchised Business. Franchisee desires Employee to have access to and review certain trade secrets and Confidential Information through the course of employment at the Franchised Business and Franchisee is required by its Franchise Agreement to have Employee execute this Agreement prior to providing access to the trade secrets and Confidential Information. Accordingly, in consideration of the receipt and/or use of information proprietary to the Franchisor by Franchisee, agrees as follows:

**1. CONFIDENTIALITY**

Employee acknowledges and agrees that Franchisee has access to Trade Secrets and Confidential Information relating to the development and operation of the Franchised Business. For the purposes of this Agreement, Confidential Information means any information used in or related to the Franchised Business and not commonly known by or available to the public, including but not limited to the methods, processes, skills, know-how, formulas developed for use in the franchise System, techniques, information, trade practices, customer lists or databases, software, proprietary data, trade secrets, and any other information identified or labeled by Franchisee as confidential when provided to Employee. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Employee; (b) Employee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

Employee agrees to exercise the highest degree of diligence in safeguarding Confidential Information during and after the term of this Agreement and to adhere fully and strictly to all confidentiality attached to such information. Employee acknowledges that the unauthorized use or disclosure of Confidential Information will cause irreparable injury to the Franchisee and that damages are not an adequate remedy. Employee accordingly covenants that it shall not at any time, without Franchisee’s prior written consent, disclose, use, permit the use thereof, copy, duplicate, record, transfer, transmit, or otherwise reproduce such Confidential Information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source, except as may be required by applicable law or authorized by this Agreement. Disclosure of the Confidential Information may be made in judicial or administrative proceedings, but only to the extent Employee is legally compelled to disclose the Confidential Information and provided that Employee first gives Franchisee the opportunity to obtain an appropriate protective order or other assurance that the confidential nature of the material to be disclosed will be maintained.

**2. INJUNCTIVE RELIEF**

Employee acknowledges and agrees that adherence to the terms and conditions of this Agreement are necessary to protect the value of the Franchisee’s business. Employee therefore acknowledges and agrees that in the event of a breach or a threatened breach of the restrictive covenants by Employee, Franchisee shall be entitled to obtain injunctive relief, without posting bond, against any such breach. Employee acknowledges and agrees that seeking or obtaining injunctive relief shall not preclude Franchisee from making a claim for damages or other relief available at law or in equity or that the existence of any claim

or cause of action Employee may have against Franchisee predicated on this Agreement or otherwise shall not constitute a defense to the enforcement of this Agreement.

**3. SEVERABILITY AND REASONABLENESS**

The parties agree that each of the provisions of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The parties further agree that the foregoing restrictions limit Employee’s right to compete only to the extent necessary to protect Franchisee from unfair competition. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Employee and Franchisee agree that the same shall be enforced to the fullest extent permissible under the law. Employee expressly acknowledges that Employee possesses skills and abilities of a general nature and has other opportunities for exploiting these skills and enforcing the non-competition provisions in this Agreement will not deprive Employee of personal goodwill or the ability to earn a living.

**4. WAIVER**

No failure of Franchisee to enforce any rights or powers under this Agreement shall be construed as the waiver of such rights. Any waiver in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Employee shall not be deemed to have been excused from performance of any of its obligations pursuant to this Agreement, unless otherwise agreed to in writing and signed by an authorized representative of Franchisee.

**5. GOVERNING LAW**

This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchisee is located. Any action to enforce, challenge, or construe the terms of this Agreement or bring an action to recover for breach of this Agreement shall be litigated exclusively in a state or federal court whose jurisdiction encompasses the then-current principal office of the Franchisee. The parties hereby consent to personal jurisdiction and venue therein. Parties waive any right to object to personal jurisdiction or venue.

IN WITNESS WHEREOF, Employee and Franchisee have duly executed and delivered this Agreement, as of the Effective Date written above.

**FRANCHISEE:**

**EMPLOYEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

**EXHIBIT F**  
**ELECTRONIC TRANSFER OF FUNDS FORM/ACH AUTHORIZATION**

I, the undersigned officer or agent of \_\_\_\_\_ (“Franchisee”), hereby authorize Parlor Doughnuts Franchising, LLC (the “Franchisor”) to withdraw or deposit funds, utilizing the following account, by ACH draft or electronic debit for payment or receipt of funds relating to Royalty Fees, Advertising Fees, or payment for goods and services. This Agreement may be terminated upon written notice to either Franchisor or Bank.

Franchisee (LLC) Name: \_\_\_\_\_

Name on the account: \_\_\_\_\_

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

City, State, Zip: \_\_\_\_\_

Bank Routing Number: \_\_\_\_\_

Bank Account Number: \_\_\_\_\_

E-Mail Confirmation: \_\_\_\_\_

EIN Number: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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

**EXHIBIT G  
LEASE RIDER**

**THIS LEASE RIDER** made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_, (“Landlord”), and \_\_\_\_\_, a \_\_\_\_\_ and duly authorized franchisee (“Tenant”) of Parlor Doughnuts Franchising, LLC, an Indiana limited liability company, with its principal offices at 204 Main Street, Suite D, Evansville, Indiana 47708 (“Franchisor”).

**WHEREAS**, the parties desire that this Lease Rider supplement and form a part of that certain lease between Landlord and Tenant, dated \_\_\_\_\_, 20\_\_\_\_ (the “Lease”) for the leased premises located at \_\_\_\_\_ (the “Leased Premises”);

**WHEREAS**, the parties are entering into this Lease Rider in connection with Franchisor’s grant of a franchise to Tenant to operate a Parlor franchise at the Leased Premises; and

**WHEREAS**, the parties intend that this Lease Rider provide Franchisor with the opportunity to preserve the Leased Premises as a Parlor franchise under Franchisor’s brand in the event of: (i) Tenant’s default under the Lease or the Franchise Agreement; (ii) the termination of Tenant’s right under the Lease; or (iii) the expiration or termination of the Franchise Agreement between Franchisor and Tenant.

**NOW, THEREFORE**, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord hereby:

- A. Agrees to notify Franchisor, in writing, of and upon Tenant’s failure to cure any default under the Lease, and to provide Franchisor with the right, but not the obligation, to cure any default by Tenant under the Lease within thirty (30) days from Franchisor’s receipt of notice (“Cure Period”) from Landlord of such default by Tenant; provided, however, that if such default cannot be reasonably cured by Franchisor within the Cure Period, Landlord agrees that the Cure Period will be extended for such time as is reasonably necessary to cure such default, so long as Franchisor has commenced taking the steps to cure such default within the Cure Period and is diligently working towards curing said default;
- B. Agrees that Franchisor has the right to take possession of the Leased Premises in the event Franchisor elects to exercise its “step-in rights” as set forth in the Franchise Agreement by and between Franchisor and Franchisee;
- C. Agrees that Franchisor has the right, but not the obligation, within thirty (30) days of the date of: (i) Franchisor’s receipt of notice from Landlord of default by Tenant; (ii) termination under the Lease; (iii) Tenant’s default under the Franchise Agreement; or (iv) the expiration or termination of the Franchise Agreement to take possession of the Leased Premises and Landlord will recognize Franchisor as tenant under the Lease, provided that Franchisor cures Tenant’s defaults under the Lease within the Cure Period set forth in Section A above;
- D. Agrees that if Franchisor becomes the assignee of the Lease as provided for in Section C above, Franchisor may: (i) further assign the Lease to an affiliate of Franchisor or to another franchisee of Franchisor; or (ii) enter into a sublease with an affiliate or Franchisor or another franchisee. Landlord agrees that upon the effectiveness of the assignment referred to in Section D(i) above, Franchisor will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee will operate the Leased Premises as a Parlor franchise; and
- E. Agrees that the Lease may not be amended, assigned or sublet without Franchisor’s prior written consent.

**IN WITNESS WHEREOF**, Landlord, Tenant and Franchisor have caused this Lease Rider to be executed as of the date first written above.

**TENANT:**

\_\_\_\_\_

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

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

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

**LANDLORD:**

\_\_\_\_\_

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

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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

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

**EXHIBIT C**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**



**PARLOR DOUGHNUTS FRANCHISING, LLC**

An Indiana Limited Liability Company

204 Main Street, Suite D  
Evansville, Indiana 47708

Multi-Unit Development Agreement

Multi-Unit Developer: \_\_\_\_\_

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

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**EXHIBITS**

Exhibit A – Development Schedule

Exhibit B – Ownership Verification

**MULTI-UNIT DEVELOPMENT AGREEMENT**

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (the “MUDA”) is effective on \_\_\_\_\_, \_\_\_\_ (“Agreement Date”) by and between Parlor Doughnuts Franchising, LLC, an Indiana limited liability company, with our principal office located at 204 Main Street, Suite D, Evansville, Indiana 47708 (referred to in this Addendum as “Parlor,” “we,” “us” “Franchisor,” or “our”) and \_\_\_\_\_, whose principal address is \_\_\_\_\_, (referred to in this Addendum as “you,” “your” or “Developer”).

**RECITALS**

WHEREAS, Franchisor and Developer are concurrently entering into a Franchise Agreement for the operation of a Parlor franchise (the “Initial Franchise Agreement”); and

WHEREAS, Developer desires to, and has applied for the right to, develop multiple Parlor businesses (“Development Rights”) and has applied for such a right, and Franchisor has approved Developer’s application in reliance upon all of the representations made herein and therein.

NOW, THEREFORE, Franchisor and Developer, intending to be legally bound, agree as follows:

**SECTION 1 - DEFINITIONS**

Except as otherwise specified or as the context may otherwise require, the terms defined in the Franchise Agreement used in this MUDA have the respective meanings set forth in the Franchise Agreement.

**SECTION 2 - DEVELOPMENT RIGHTS**

**A. Grant of Development Rights.**

Franchisor hereby grants to Developer, and Developer undertakes and accepts, upon the terms and conditions of this Agreement, the Development Rights to establish and operate not less than \_\_\_\_\_ Parlor franchises located within a defined geographic area (“Development Area”). The Development Area shall be exclusive and defined by and exist within the following zip codes or other physical, political or natural boundaries:

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

**B. Term.**

The term of this MUDA shall begin on the date first set forth above and shall expire when the Developer meets its development obligations under this MUDA (the “Term”), unless terminated earlier in accordance with the terms of this MUDA. Developer shall not have the right to renew this MUDA.

### **C. Retained Rights.**

Franchisor shall not, so long as this MUDA is in force and effect and Developer is not in default under any of the terms hereof or of any terms of the Franchise Agreement for any Parlor franchises operated by Developer establish, own, or operate a Parlor business or license others the right to establish, own, or operate a Parlor franchise within the Development Area.

Franchisor retains the right:

- i. Operate and grant others the right to operate a Parlor franchise anywhere outside of the Development Area;
- ii. Develop, operate and grant others the right to operate any future concepts that are not included within the franchise System at any location anywhere;
- iii. Use and license the use of other trademarks or methods which are not a part of the franchise System at any location anywhere;
- iv. Operate any business that offers bakery items, artisanal breakfast items, and specialty or gourmet coffee (whether under development or already in operation) included in any business acquisition at any location outside of the Development Area; and
- v. Distribute or license any goods, services, or concepts, inside or outside of the Development Area, regardless of whether such products are authorized for Parlor franchises or are distributed or licensed under the Proprietary Marks, through other channels of distribution, including, but not limited to the Internet or through consulting services.

## **SECTION 3 - FEES**

### **A. Franchise Fees.**

Simultaneously with the execution of this MUDA, Developer shall execute the Initial Franchise Agreement and shall pay the Initial Franchise Fee of Forty Thousand Dollars (\$40,000.00) for the initial franchised business to be developed pursuant to the Initial Franchise Agreement. Developer shall also execute additional Franchise Agreements for each additional Parlor franchise to be established and operated by Developer under the Development Schedule.

### **B. Development Fee.**

Upon execution of this Development Agreement, Developer shall, in addition to the Initial Franchise Fee paid to Franchisor for the initial franchised business under the initial Franchise Agreement, pay a lump sum (hereinafter referred to as “the Development Fee”) equal to seventy-five percent (75%) of the Initial Franchise Fee for the second and third franchised business under the Development Schedule and fifty percent (50%) of the Initial Franchise Fee for the fourth franchised business and any additional franchises under the Development Schedule (if applicable). The Development Fee paid to us pursuant to the MUDA represents the consideration for the right to establish and operate the Parlor franchises within the Development Area. The fee is fully earned by us upon signing the MUDA and is non-refundable.

## **SECTION 4 - DEVELOPMENT OF FRANCHISED BUSINESSES**

### **A. Minimum Development Obligation.**

Developer shall strictly follow the Development Schedule set forth in Exhibit A. Time is of the essence. By the dates set forth within the Development Schedule, Developer shall establish and operate the number of Parlor franchises indicated in the Development Schedule. Any Parlor franchises that are closed during the term of this Agreement do not apply to the required number of opened and operated Parlor franchises set forth in the Development Schedule.

### **B. No Obligation of Franchisor to Sign Franchise Agreements.**

Franchisor is not obligated to sign additional Franchise Agreements with Developer and shall not execute a Franchise Agreement with Developer if: (a) Developer is not in compliance with all, or is in default of any, of its obligations under this MUDA or any other agreement between Franchisor and Developer; or (b) in the case of each then-existing Franchise Agreement, Developer, as franchisee, is not in compliance with all, or is in default of any, of its obligations under any Franchise Agreement or no longer meets all of Franchisor's then-current standards and requirements for becoming a Parlor franchisee.

### **C. No Sub-Franchising by Developer.**

Developer has no right under this Agreement to sub-license, sub-franchise, resell, or otherwise transfer any interest in any Parlor franchise or this MUDA.

## **SECTION 5 - PROPRIETARY MARKS AND CONFIDENTIAL INFORMATION**

### **A. No License Under Development Agreement**

Notwithstanding any provision to the contrary under this MUDA, this MUDA does not grant Developer any right to use the Proprietary Marks. The right to use the Proprietary Marks may only be granted by the terms of a Franchise Agreement. Developer shall not use any Proprietary Marks as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms designs, or symbols, or in any modifying words, terms designs or symbols, or in any modified form, nor may Developer use any Proprietary Mark in connection with any business or activity other than the business conducted by Developer pursuant to a Franchise Agreement or in any other manner not explicitly authorized in writing by Franchisor.

### **B. Confidential Information**

Developer shall not, during the term of this MUDA or at any time thereafter, communicate, divulge or use for the benefit of any other person or entity, any Trade Secrets or other Confidential Information which may be communicated to Developer or of which Developer may learn by virtue of Developer's activities under this MUDA. Developer may divulge Trade Secrets and other Confidential Information only to such of its employees as deemed necessary by Developer. At Franchisor's request, Developer shall require its employees and any other person to whom Developer wishes to disclose any Trade Secrets or other Confidential Information to execute a nondisclosure agreement in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Initial Franchise Agreement.

## SECTION 6 - TRANSFERS

### A. By Franchisor.

This MUDA and all rights hereunder may be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall have no liability for the performance of any obligations contained in this MUDA after the effective date of such transfer or assignment.

### B. By Developer.

The development rights set forth in this MUDA are personal to Developer and are granted in reliance upon the personal qualifications of Developer. Developer has represented, and hereby represents, that it is entering into this MUDA with the intention of complying with its terms and conditions and not for the purpose of resale of the development rights hereunder.

Developer, without Franchisor's prior written consent, by operation of law or otherwise, shall not sell, assign, transfer, convey, give away or encumber any part of its interest in this MUDA, its interest in the development rights granted hereby or its interest in any entity that owns any interest in such rights, and shall not offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way. Developer shall not, without the prior written consent of Franchisor, fractionalize any of the development rights granted pursuant to this MUDA. Any purported sale, assignment, transfer, conveyance, gift, or encumbrance of any of Developer's rights herein not having Franchisor's express consent shall be null and void and shall constitute a material default of this MUDA.

So long as Developer is in full compliance with this MUDA, and should Franchisor not elect to exercise its right of refusal as provided in Section 6(D), Franchisor shall not unreasonably withhold its approval of an assignment or Transfer to proposed assignees or transferees if:

- Developer has complied with the requirements of Section 6(D);
- All monetary obligations owed to Franchisor by Developer are fully paid and satisfied;
- Developer (and any transferring owners, if Developer is a business entity) has executed a general release, in a form the same as or similar to the General Release attached to the Initial Franchise Agreement, of any and all claims against Franchisor, its owners, officers, directors and employees, in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this MUDA or to the transfer of Developer's interest herein or to the transfer of Developer's ownership of all or any part of the development rights;
- The prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate its ability to carry out the obligations contained herein;

- Developer has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Developer and the prospective transferee relating to the intended sale or transfer of the development rights;
- Developer, or the transferee, has paid to Franchisor a transfer fee in the amount of 50% of the remaining Franchise Fee for each Franchise to be developed under the MUDA;
- The transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied; and
- Developer has, and if Developer is an entity, all of the holders of a legal and beneficial interest in Developer have, executed and delivered to Franchisor a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Initial Franchise Agreement.

#### **C. Transfer by Death or Incapacity**

Upon the death or Incapacity (as determined by a court of competent jurisdiction) of Developer or any holder of a legal or beneficial interest in Developer, if Developer is an entity, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding ninety (90) days following such event, transfer such individual's interest herein or transfer such individual's ownership of all or any part of the development rights to a third party approved by Franchisor. Such Transfers, including Transfers by will or inheritance, shall be subject to the conditions for assignments and Transfers contained in this MUDA.

#### **D. Franchisor's Right of First Refusal**

If Developer or its owners shall at any time determine to sell, assign, transfer, convey, give away or encumber the development rights under this MUDA or any of their respective ownership interests in Developer, or any of Developer's assets (except in the ordinary course of business), Developer or its owners shall first offer in writing any bona fide proposed transfer and set forth a complete description of all terms, conditions and fees of the proposed transfer in the manner prescribed by the Franchisor. Franchisor shall, for a period of thirty (30) days from the date of delivery of such offer (or if Franchisor shall request additional information, within thirty (30) days after receipt of such additional information), have the right, exercisable by written notice to Developer, to purchase such interests upon the terms and conditions specified in the offer. Franchisor may substitute an equivalent sum of cash for any consideration other than cash specified in said notice. If Franchisor does not elect to exercise its right of first refusal, Developer may offer to transfer to third parties on the same terms and conditions as offered to Franchisor and subject to the conditions set forth in Section 6(B) of this Agreement. If Developer does not consummate the Transfer, in accordance with the terms offered to Franchisor, within three (3) months after Developer gives notice of the Transfer to Franchisor, Developer shall not make the Transfer without again first offering to make the Transfer to Franchisor. Additionally, if the terms of the offer to third parties are materially changed, such changed terms shall be deemed a new proposal subject to Franchisor's right of first refusal.

## SECTION 7 - DEFAULT AND TERMINATION

Franchisor has the right to immediately terminate this MUDA by delivering a notice to Developer stating that Franchisor elects to terminate this MUDA as a result of any of the breaches set forth below:

- Developer makes or attempts to make an unauthorized sale, assignment, transfer, conveyance, gift or encumbrance of any part of its interest in this MUDA or an ownership interest in Developer;
- Developer has made any material misrepresentation or omission in its application for the development rights conferred by this Agreement;
- Developer (or any of its Principals) is convicted of or pleads no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Proprietary Marks;
- Developer makes any unauthorized use of the Proprietary Marks or unauthorized use or disclosure of the Confidential Information;
- Franchisor has delivered a notice of termination for a Franchise Agreement between Franchisor and Developer in accordance with its terms and conditions, or Developer has terminated a Franchise Agreement without cause; or
- Developer fails to comply with any other provision of the MUDA and does not correct within thirty (30) days after written notice from Franchisor.

## SECTION 8 - RIGHTS AND DUTIES ON TERMINATION OR EXPIRATION

### A. Loss of Development Rights.

Upon termination or expiration of this MUDA, the development rights granted to Developer under this MUDA shall automatically terminate. Developer shall have no additional rights to establish Parlor businesses, including within the Development Area. No default under this MUDA shall constitute a default under any Franchise Agreement between the parties, except to the extent that any default under this MUDA constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of the Franchise Agreement must be complied with by the Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

### B. Amounts Owed to Franchisor.

Developer shall immediately pay to Franchisor upon termination or expiration of the MUDA any amounts owed by Developer to Franchisor that are then unpaid, plus any interest due.

### C. Confidential Information.

Upon termination or expiration of this MUDA, Developer and all of its employees, agents or other representatives shall immediately sign a confidentiality agreement, if not done already, and will cease to use and shall continue to maintain the absolute confidentiality of any Trade Secrets and other Confidential Information disclosed or otherwise learned or acquired by Developer and shall not use such Trade Secrets and other Confidential Information in any other business or venture.



#### **D. Covenant Not to Compete.**

During the term and after the termination of this Agreement, Developer and any Principal of Developer, if Developer is an entity, shall be subject to all of the restrictive covenants set forth in the Initial Franchise Agreement, which covenants by this reference are incorporated herein.

#### **E. Continuing Obligations.**

All obligations of Franchisor and Developer under this MUDA that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this MUDA and until they are satisfied in full or by their nature expire.

### **SECTION 9 - RELATIONSHIP OF THE PARTIES**

Nothing in this MUDA is intended by the parties to create a fiduciary relationship between them, nor to constitute Developer or Developer's employees or contractors as agents, legal representatives, subsidiaries, joint ventures, partners, or employees of Franchisor for any purpose whatsoever. It is understood and agreed that Developer is an independent contractor and is in no way authorized to make any contract, warranty, or representation or to create or imply any obligation on behalf of Franchisor. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, or any other obligation of Developer.

Unless otherwise specifically provided in this MUDA with respect to certain issues, whenever this MUDA requires Developer to obtain Franchisor's written consent or permits Developer to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Developer or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **SECTION 10 - INDEMNIFICATION**

Developer shall hold harmless and indemnify Franchisor, its owners, and all of Franchisor's officers, directors, executives, managers, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arise from, are based upon or are related to Developer's (a) development, ownership or operation of any Parlor business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this MUDA or any other agreement between Developer and Franchisor; (d) defamation of Franchisor or the System; (e) acts, errors or omissions by Developer or any of its officers, directors, employees or agents, committed or incurred in connection with the recruitment of franchisees, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Proprietary Mark, patent or copyright or any misuse of the Confidential Information.

### **SECTION 11 - DISPUTE RESOLUTION AND GOVERNING LAW**

#### **A. Dispute Resolution**

During the term and after the termination of this Agreement, Developer and any Principal of Developer, if Developer is an entity, shall be subject to all of the dispute resolution provisions set forth in the Initial Franchise Agreement, which covenants by this reference are incorporated herein.

## **B. Governing Law.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Indiana and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Indiana, which laws shall prevail in the event of any conflict of law.

## **SECTION 12 - MISCELLANEOUS PROVISIONS**

### **A. Owners of Developer.**

Developer represents and warrants, and Franchisor enters into this MUDA in reliance upon such representation and warranty, that the individuals identified in Exhibit B as owners are the sole holders of a legal or beneficial interest (in the stated proportions) of Developer.

### **B. Superiority of Franchise Agreement.**

Developer acknowledges that any and all Franchise Agreements executed by Developer are independent of this MUDA. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this MUDA. If any conflict shall arise in connection with this MUDA and any such Franchise Agreement, the latter shall have precedence and superiority over the former.

### **C. No Waiver.**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this MUDA. Waiver by Franchisor of any particular default by Developer shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this MUDA.

### **D. Injunctive Relief.**

Developer acknowledges and agrees that a violation or contemplated violation of the restrictions contained in Sections 5, 8(C), or 8(D) would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law is available. Accordingly, Developer hereby consents to the entry of an injunction, without bond, prohibiting any conduct by Developer in violation of the restrictions contained in Sections 5, 8(C), or 8(D). Developer further agrees to pay all costs and expenses (including reasonable attorney's fees at all levels) incurred by Franchisor in connection with the enforcement of this MUDA.

### **E. Notices.**

All notices, requests, demands, payments, consents and other communications required under this Agreement shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, or other form of delivery which provides for a receipt and otherwise agreed to in writing by the parties, addressed as follows:

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC  
204 Main Street, Suite D  
Evansville, Indiana 47708

**FRANCHISEE:**

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

With a copy to:

Josh F. Brown, Esq.  
Taft Stettinius & Hollister, LLP  
One Indiana Square, Suite 3500  
Indianapolis, IN 46204  
jbbrown@taftlaw.com

**F. Entire Agreement.**

THE UNDERSIGNED ACKNOWLEDGES THAT THEY, AND EACH OF THEM, HAVE READ THIS MUDA IN FULL; HAVE BEEN SUPPLIED WITH A DISCLOSURE DOCUMENT IN ACCORDANCE WITH FEDERAL AND STATE LAW; ARE COGNIZANT OF EACH AND EVERY ONE OF THE TERMS AND PROVISIONS HEREOF AND ARE AGREEABLE THERETO; THAT NO REPRESENTATIONS OR AGREEMENTS, WHETHER ORAL OR WRITTEN, EXCEPT AS SET FORTH IN THIS MUDA AND IN THE DISCLOSURE DOCUMENT, HAVE BEEN MADE OR RELIED UPON; THAT ANY AND ALL PRIOR AGREEMENTS OR UNDERSTANDINGS BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER HEREOF, WHETHER ORAL OR WRITTEN, ARE AUTOMATICALLY CANCELED BY THE EXECUTION OF THIS MUDA AND THE UNDERSIGNED HEREBY RELEASES FRANCHISOR AND ITS AGENTS AND EMPLOYEES, FROM ANY AND ALL CLAIMS, DEMANDS, AGREEMENTS AND LIABILITIES OF EVERY DESCRIPTION WHATSOEVER, WHICH THE UNDERSIGNED EVER HAD, NOW HAS OR HEREAFTER MAY HAVE, AGAINST ANY OF THE FOREGOING BY REASON OF ANY MATTER, CAUSE OR THING OCCURRING PRIOR TO THE DATE OF THIS MUDA; THAT THE SIGNATURES AFFIXED HERETO WERE AFFIXED AS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS MUDA; AND THAT THE TERMS AND PROVISIONS OF THIS MUDA CANNOT BE CHANGED OR MODIFIED UNLESS IN WRITING SIGNED BY AN AUTHORIZED CORPORATE OFFICER OF FRANCHISOR; THAT THE UNDERSIGNED REALIZES THAT THERE CAN BE NO GUARANTY OF SUCCESS, SINCE DEVELOPER’S BUSINESS ABILITY, APTITUDE, AND INDUSTRIOUS DISPOSITION ARE PRIMARY IN DEVELOPER’S SUCCESS.

**G. Severability and Modification.**

If any part, section, sentence or clause of this MUDA shall be held to be indefinite, invalid or otherwise unenforceable, the provision which is indefinite, invalid or unenforceable shall be deemed deleted, and the remaining part of this MUDA shall continue in full force and effect.

**H. Construction.**

All terms and words used herein shall be construed to include the number and gender as the context of this MUDA may require. The parties agree that each section of this MUDA shall be construed independently of any other section or provision of this MUDA. As used in this MUDA, the words “include”, “includes” or “including” are used in a non-exclusive sense. Article and section titles used in this MUDA are for

convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this MUDA.

**I. Force Majeure.**

Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other party hereunder), when and to the extent such failure or delay is caused by or results from acts beyond the Impacted Party's control, including, without limitation, the following force majeure events ("Force Majeure Event(s)"): (a) acts of God; (b) flood, fire, earthquake, epidemics, pandemics, or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order, law, or actions; (e) embargoes or blockades in effect on or after the date of this Agreement; (f) national or regional emergency; (g) strikes, labor stoppages or slowdowns, or other industrial disturbances; and (h) shortage of adequate power or transportation facilities.

**J. Third-Party Beneficiaries.**

Anything to the contrary notwithstanding, nothing in this MUDA is intended, nor shall be deemed, to confer any rights or benefits upon any person or legal entity other than Franchisor or Developer, and their respective permitted successors and assigns.

**SECTION 13 - ACKNOWLEDGEMENTS**

Developer hereby acknowledges the following:

- A. DEVELOPER WARRANTS AND REPRESENTS THAT DEVELOPER HAS FULL POWER AND AUTHORITY TO ENTER INTO AND BE BOUND BY THIS MUDA.
- B. DEVELOPER IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE DEVELOPERS OF FRANCHISOR MAY OPERATE UNDER A DIFFERENT FORM OF MUDA, AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.
- C. NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A DEVELOPER 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.

**Signature Page to Follow**

**IN WITNESS WHEREOF**, Developer and Franchisor have duly executed and delivered this Agreement, as of the Effective Date written above.

**DEVELOPER:**

\_\_\_\_\_

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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

**EXHIBIT A TO THE  
MULTI-UNIT DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

<b>Franchised Business No.</b>	<b>Opening Date</b>	<b>Cumulative Number to be in Operation</b>

**EXHIBIT B TO THE  
MULTI-UNIT DEVELOPMENT AGREEMENT  
OWNERSHIP VERIFICATION**

This form must be completed in order to provide the Franchisor with information regarding the type of business organization and the names and addresses of the individuals owning an interest in Developer, as well as, the percentage of said interest. Franchisor is relying on the truth and accuracy of the information set forth in awarding the MUDA to Developer.

1. Form of Entity

Franchisee is a (check one):

- A. General Partnership \_\_\_\_\_
- B. Corporation \_\_\_\_\_
- C. Limited Partnership \_\_\_\_\_
- D. Limited Liability Company \_\_\_\_\_
- E. Other \_\_\_\_\_ Specify: \_\_\_\_\_

2. Business Entity

Developer was incorporated or formed on \_\_\_\_\_ under the laws of \_\_\_\_\_.  
Developer has not conducted business under any name other than Developer's business entity name.

Business Name and Address:

---



---

The following is a list of all persons who have an ownership interest in Developer, their address, positions, and respective percentage of ownership:

NAME AND ADDRESS	POSITION	PERCENTAGE OF OWNESHIP INTEREST

3. Governing Documents.

Developer agrees to provide Franchisor with copies of the documents and contracts governing the ownership, management, and other significant aspects of the business organization such as, articles of incorporation or organization, partnership, or shareholder agreements, upon the reasonable request of Franchisor.

**Signature Page to Follow**

**DEVELOPER:**

\_\_\_\_\_

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

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

**FRANCHISOR:**

Parlor Doughnuts Franchising, LLC

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

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



**EXHIBIT D**  
**LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2023**

<b>FRANCHISEE</b>	<b>FRANCHISED LOCATION ADDRESS</b>	<b>STATE</b>	<b>PHONE NUMBER</b>
Total Compass Partners, LLC	585 State Rd. 13N, Suite 101 Fruit Cove, FL 32259	FL	(904) 217-0916
Barnes Holdings, LLC	255 Morthland Drive Valparaiso, IN 46383	IN	(219) 242-8184
A Fitch Enterprise, LLC	120 Palafox Place Pensacola, FL 32502	FL	(850) 741-2094
Woods Hospitality, LLC	482 Branson Landing Blvd., Suite 105 Branson, MO 65616	MO	(417) 544-1192
PD of Lexington, LLC	630 Euclid Ave., Suite 150 Lexington, KY 40502	KY	(859) 303-7827
Atlantic Kiwi Group, LLC	11359 Ocean Highway Pawleys Island, SC 29585	SC	(843) 314-3131
PD1 of Texas, LLC	6547 Lake Worth Blvd. Lake Worth, TX 76135	TX	(682) 224-6540
PD2 of Texas, LLC	410 W. Southlake Blvd., Suite 140 Southlake, TX 76092	TX	(692) 477-4357
Total Compass Partners, LLC	3920 Florida A1A St. Augustine Beach, FL 32080	FL	(904) 217-7843
PDOC, LLC	95 Lincoln St. Denver, CO 80203	CO	(303) 862-8904
PDOC, LLC	5001 S. Parker Road Aurora, CO 80015	CO	(720) 287-0522
Rothmoor Raised, LLC	528 Beach Blvd. Jacksonville Beach, FL 32250	FL	(904) 372-0481
Woods Hospitality, LLC	1109 E. Battlefield Rd. Suite A Springfield, MO 65807	MO	(417) 231-1733
Midwest Coffee and Donut Company, LLC	511 N. Newton St. #1 Jasper, IN 47546	IN	(812) 848-2244
Dough Pro, LLC	1764 Madison St. Clarksville, TN 37073	TN	(931) 368-3031
RR Clay, LLC	1524 County Rd 220 Fleming Island, FL 32003	FL	(904) 579-4585
This Is How We Dough It, LLC	5100 W. Stacy Rd, Suite 950 McKinney, TX 75070	TX	(214) 856-4052
Parlor Doughnuts Central Indianapolis, LLC	805 W. 10 <sup>th</sup> Street Indianapolis, IN 46202	IN	(317) 600-3254
Provenance Investment Group LLC	1695 U.S. 41 Bypass S, Unit 1 Venice, FL 34293	FL	(941) 218-4957
Proud, LLC	2350 E. Lincoln Hwy, Suite 806 Lancaster, PA 17602	PA	(717) 824-4297
3 Rivers Doughnuts, LLC	11936 Lima Xing Dr. Fort Wayne, IN 46845	IN	(260) 338-2780
Legacy Group STL, LLC	708 S. Church St. Wentzville, MO 63385	MO	(636) 856-0302

Barnes NWI, LLC	8130 Calumet Ave. #102 Munster, IN 46321	IN	(219) 513-9829
HCW Hospitality, LLC	211 13 <sup>th</sup> St., Suite 102 Columbus, GA 31901	GA	(470) 870-2548
Olliemei Foods, LLC	506 Yale St., Suite A Houston, TX 77007	TX	(346) 618-1060
Rothmoor Raised, LLC	620 E. Twincourt Trail Suite 101 St. Augustine, FL 32095	FL	(904) 484-7609
Gaston PD Venture 1, LLC	1450 Long Prairie Rd. Suite 110 Flower Mound, TX 75028	TX	(214) 222-5875
Maxbrothers, LLC	1850 E. NASA Pkwy Houston, TX 77058	TX	(281) 549-4675

**EXHIBIT E**  
**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

<b>FRANCHISEE</b>	<b>LAST KNOWN ADDRESS</b>	<b>STATE</b>	<b>PHONE NUMBER</b>
Milk & Cookies Management, LLC; Michael Ferrer; Christina Ferrer; and James Owen*	9761 Taylor River Circle, Littleton, CO 80125	Colorado	
Crow's Nest Hospitality, LLC+	2500 Clinton Ave., Suite B Huntsville, AL 35805	Alabama	

\*Note: The franchisee for this location signed a franchise agreement; however, due to personal circumstances outside of Parlor's control, elected not to move forward.

+ Note: The franchisee sold the rights to their territory, as well as assets, to another franchisee.

**EXHIBIT F**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

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<p>Franchisees are required to have all employees sign a confidentiality and proprietary rights agreement before training or beginning employment. Agreements for managers and all other staff are included as an Exhibit to your Franchise Agreement.</p>
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**EXHIBIT G**  
***AUDITED BALANCE SHEET FOR 2021***  
***AND***  
***FULLY AUDITED FINANCIAL REPORT FOR 2022 and 2023***



***PARLOR DOUGHNUTS FRANCHISING, LLC***

***Financial Report***

***December 31, 2023 and 2022***

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Parlor Doughnuts Franchising, LLC

### *Opinion*

We have audited the accompanying financial statements of Parlor Doughnuts Franchising, LLC (Company), which comprise the balance sheets as December 31, 2023 and 2022, the related statements of income and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 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 available to be issued.



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## ***INDEPENDENT AUDITOR'S REPORT (CONTINUED)***

### ***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.

*Harding, Slymanski & Company, P.S.C.*

Evansville, Indiana  
March 14, 2024

## *PARLOR DOUGHNUTS FRANCHISING, LLC*

### BALANCE SHEETS

December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash	\$	\$ 623,511
Accounts receivable	595,383	7,356
Other receivable	539,089	0
Inventories	14,684	0
Prepaid expenses	12,700	7,138
<b>Total current assets</b>	<b>1,640,117</b>	<b>638,005</b>
Noncurrent Assets		
Operating lease right-of-use asset, net	453,318	0
Property and equipment	130,784	0
Intangible assets, net	76,800	86,400
<b>Total noncurrent assets</b>	<b>660,902</b>	<b>86,400</b>
<b>Total assets</b>	<b>\$ 2,301,019</b>	<b>\$ 724,405</b>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
Current Liabilities		
Line of credit	\$	\$ 0
Accounts payable	82,099	8,416
Current maturities of operating lease liability	76,789	0
Accrued taxes and other expenses	59,440	24,206
Deferred revenue	678,929	306,768
Unredeemed gift cards	25,788	0
<b>Total current liabilities</b>	<b>1,173,489</b>	<b>339,390</b>
Noncurrent Liabilities		
Long-term operating lease liability	377,486	0
Deferred revenue	1,185,636	520,184
<b>Total noncurrent liabilities</b>	<b>1,563,122</b>	<b>520,184</b>
<b>Total liabilities</b>	<b>2,736,611</b>	<b>859,574</b>
Members' Deficit	(435,592)	(135,169)
<b>Total liabilities and members' deficit</b>	<b>\$ 2,301,019</b>	<b>\$ 724,405</b>

See notes to financial statements.

## ***PARLOR DOUGHNUTS FRANCHISING, LLC***

### STATEMENTS OF INCOME AND MEMBERS' DEFICIT Years Ended December 31, 2023 and 2022

	<b>2023</b>	2022
Net Revenues		
Franchise fees and royalties	<b>\$ 1,389,654</b>	\$ 550,674
Merchandise and materials	<b>1,447,783</b>	0
	<hr/>	<hr/>
<b>Total net revenues</b>	<b>2,837,437</b>	550,674
Cost of Sales - Merchandise and Materials	<b>1,264,777</b>	0
	<hr/>	<hr/>
<b>Gross profit</b>	<b>1,572,660</b>	550,674
Operating Expenses	<b>1,565,157</b>	485,267
	<hr/>	<hr/>
<b>Operating income</b>	<b>7,503</b>	65,407
Other Income (Expense)		
Interest	<b>(5,363)</b>	0
Other	<b>27,437</b>	0
	<hr/>	<hr/>
	<b>22,074</b>	0
	<hr/>	<hr/>
<b>Net income</b>	<b>\$ 29,577</b>	\$ 65,407
Members' deficit at beginning of year	<b>(135,169)</b>	(110,576)
Less withdrawals	<b>(330,000)</b>	(90,000)
	<hr/>	<hr/>
Members' deficit at end of year	<b>\$ (435,592)</b>	\$ (135,169)
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

# ***PARLOR DOUGHNUTS FRANCHISING, LLC***

## STATEMENTS OF CASH FLOWS

Year Ended December 31, 2023 and 2022

	<b>2023</b>	2022
Cash Flows from Operating Activities		
Net income	<b>\$ 29,577</b>	\$ 65,407
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of right-of-use-asset - operating lease	<b>13,410</b>	0
Amortization of intangible assets	<b>9,600</b>	9,600
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable	<b>(588,027)</b>	17,644
Other receivable	<b>(539,089)</b>	0
Inventories	<b>(14,684)</b>	0
Prepaid expenses	<b>(5,562)</b>	(4,440)
Increase (decrease)		
Accounts payable	<b>73,683</b>	(122)
Operating lease liabilities	<b>(12,453)</b>	0
Accrued taxes and other expenses	<b>35,234</b>	17,286
Unredeemed gift cards	<b>25,788</b>	0
Deferred revenue	<b>1,037,613</b>	660,952
<b>Net cash provided by operating activities</b>	<b>65,090</b>	766,327
Cash Flows from Investing Activities		
Purchase of property and equipment	<b>(130,784)</b>	0
Cash Flows from Financing Activities		
Net borrowings on line of credit	<b>250,444</b>	0
Payments on amounts due to related party	<b>0</b>	(155,452)
Members' distributions	<b>(330,000)</b>	(90,000)
<b>Net cash used in financing activities</b>	<b>(79,556)</b>	(245,452)
Net increase (decrease) in cash	<b>(145,250)</b>	520,875
Cash at beginning of year	<b>623,511</b>	102,636
Cash at end of year	<b>\$478,261</b>	\$ 623,511
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<b>\$ 3,123</b>	\$ 0
Supplemental Schedule of Noncash Investing and Financing Activities Right-of-use asset obtained in exchange for new operating lease obligation	<b>\$466,728</b>	\$ 0

See notes to financial statements.

# ***PARLOR DOUGHNUTS FRANCHISING, LLC***

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

### ***Note 1 – Nature of Business and Significant Accounting Policies***

#### ***Nature of Business***

Parlor Doughnuts Franchising, LLC (Company) was established on January 8, 2021, and is a franchisor of Parlor Doughnuts, LLC. The Company provides franchises and licenses to locations in various states throughout the United States of America. The Company provides training, site selection assistance, and consulting for the benefit of the franchisees, in addition to the sale of branded merchandise and materials to franchisees.

#### ***Limited Liability Company***

Since the Company is a limited liability company, no member is liable for the debts, obligations, or liabilities of the Company, except as otherwise legally obligated. The term of the Company shall be perpetual unless and until it is dissolved pursuant to state law or as provided in the limited liability company agreement.

#### ***Concentrations of Credit Risk***

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. At times, such cash in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit.

#### ***Revenue Recognition***

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

The Company's revenue is primarily derived from franchise fees, pre-opening activity fees, advertising fees from the Company's franchisees, royalties from the Company's franchisees, and the sale of branded merchandise and materials to franchisees. Revenue from franchise fees consists of one-time up-front nonrefundable payments in accordance with the applicable franchise agreement. The initial term of the franchise agreements is typically ten years. Revenues from royalties and advertising fees are calculated as a percentage of weekly gross revenues of the franchised location for the preceding week. Revenue from franchise fees, pre-opening activity fees, advertising fees, royalties and advertising, and branded merchandise and materials are subject to economic conditions and may fluctuate based on changes in the industry, trade policies, and financial markets.



# PARLOR DOUGHNUTS FRANCHISING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

### *Note 1 – Nature of Business and Significant Accounting Policies (Continued)*

#### Revenue Recognition (Continued)

The Company assesses the contract term as the period described in the Franchise Agreement in which the parties to the contract have enforceable rights and obligations. The contract term can differ from the stated term in agreements that include certain termination, renewal, or assignment rights. Franchisee agreements generally are standardized and noncancellable for the duration of the stated contract term. Franchise fees and pre-opening activity fees from franchisees are due up-front when agreements are signed. Royalties and advertising fees are due on Friday each week for the preceding week's gross sales. Franchisees purchase branded merchandise and materials such as apparel, cups, and boxes from the Company as needed.

The Company has elected the practical expedient under ASC 606 for nonpublic company franchisors to account for certain pre-opening activities as a separate performance obligation and distinct from the franchise agreement. The pre-opening activities are recognized as revenue over time as the customer simultaneously receives and consumes the benefits over the pre-opening period.

The nature of the franchise agreements provided to the Company's franchisees is generally as follows:

1. Franchise fees: Revenue from the franchise fee paid by franchisees in order to enter into a franchise agreement with the Company is recognized over the term of the agreement, which is typically ten years.
2. Pre-opening activity fees: Revenue for the pre-opening activities is recognized over time from the initial signing of the agreement until the performance obligation is satisfied, which is generally when the store opens and commences operations but no longer than one year from the initial agreement.
3. Royalties: Revenue from royalties collected from franchisees is recognized over time as the royalties are earned.
4. Advertising fees: Revenue from advertising fees collected from franchisees is recognized over time as the advertising fees are earned.
5. Branded merchandise and materials: Revenue from the sale of branded materials and merchandise is recognized upon transfer of control to the franchisee, which is typically upon shipment. The Company has determined that it is the principal in these arrangements. Accordingly, the revenue is presented on a gross basis. The Company has elected the practical expedient under ASC 606 to accrue for shipping and handling activity performed after control of a good has been transferred to the customer as a fulfillment cost rather than a performance obligation. These costs are included in cost of sales. The Company has also elected to make the accounting policy election to exclude sales taxes and similar taxes from the measurement of transaction price.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early sign-on discounts.

# PARLOR DOUGHNUTS FRANCHISING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

### *Note 1 – Nature of Business and Significant Accounting Policies (Continued)*

#### Revenue Recognition (Continued)

The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is as follows:

Sign-on discounts: The Company provides sign-on discounts to certain franchisees for initial franchise fees and royalties. Sign-on discounts are known as of December 31, 2023 and 2022 based on review of specific transactions.

As discussed previously, revenue from the sale of branded merchandise and materials is recognized at a point in time, whereas revenue from franchise fees, pre-opening activity fees, royalties, and advertising fees are recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended December 31:

	2023	2022
Revenue recognized at a point in time	\$ 1,447,783	\$ 0
Revenue recognized over time	1,389,654	550,674
	<u>\$ 2,837,437</u>	<u>\$ 550,674</u>

The Company does not have significant financing components in its customer contracts.

The Company has elected to apply the practical expedient to expense associated costs as incurred when the expected amortization period is one year or less.

See Note 2 for customer contract balances.

#### Accounts Receivable and the Allowance for Expected Credit Losses

Accounts receivable are customer obligations due under normal trade terms. The Company attempts to minimize accounts receivable credit risk by reviewing customer credit history before extending credit and by monitoring customers' credit exposure on a continuing basis. When necessary, the Company offsets gross accounts receivable with an allowance for expected credit losses. The allowance is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The provision for expected credit losses is recorded in operating expenses.

# **PARLOR DOUGHNUTS FRANCHISING, LLC**

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued) Accounts***

#### ***Receivable and the Allowance for Expected Credit Losses (Continued)***

Effective January 1, 2023, the Company adopted ASC 326, *Financial Instruments – Credit Losses*, using a modified retrospective approach for its financial assets in the scope of ASC 326. ASC 326 requires measurement and recognition of expected credit losses for financial assets held. Estimating credit losses based on risk characteristics requires significant judgment by the Company. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Company's financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions. The Company reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business, and the estimated life of its financial assets. The Company has evaluated accounts receivable and potential credit losses, including assessing current economic conditions and historical experience in accordance with ASC 326, and has determined that the allowance for expected credit losses as of December 31, 2023, and the change in the allowance for expected credit losses during the year ended December 31, 2023, was not material to the financial statements. Prior to the adoption of ASC 326, the Company maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022 was not material to the financial statements.

#### ***Inventories***

Inventories are stated at the lower of cost (first-in, first-out method) and net realizable value.

#### ***Property, Equipment, and Depreciation***

Property and equipment are stated at cost. Provisions for depreciation of property and equipment are computed on the straight-line method over the estimated useful life.

Construction-in-progress includes direct and indirect expenditures for the construction and expansion of property and equipment and is stated at original cost. Construction-in-progress includes certain costs incurred during the design and construction of the property and equipment, including engineering and design services and cost of materials. Once a construction-in-progress becomes operational, those capitalized costs are allocated to certain property and equipment categories and are depreciated over the estimated useful life of the underlying assets.

# **PARLOR DOUGHNUTS FRANCHISING, LLC**

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued)***

#### **Long-Lived Assets**

Long-lived assets are reviewed for impairment in accordance with guidance issued by the Financial Accounting Standards Board (FASB). The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended December 31, 2023 and 2022.

#### **Intangible Assets**

Intangible assets consist of a defensive intangible incurred in connection with the Company's trademark. Amortization is provided for by the straight-line method over the estimated useful life of the asset. This asset will be tested for impairment annually using a fair value based approach. No indicators of impairment were identified during the years ended December 31, 2023 or 2022.

#### **Unredeemed Gift Cards**

Gift cards are sold to customers; the cash and the related liabilities from the sale of gift cards are held by the Company. Once a gift card is redeemed, the Company releases the liability, and the cash is transferred to the store at which the gift card is redeemed. The Company does not recognize revenues from the sale of gift cards, unless the probability of customers exercising their rights under the gift cards becomes remote, at which point the Company would recognize breakage revenue.

#### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **PARLOR DOUGHNUTS FRANCHISING, LLC**

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

#### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued) Leases***

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of income.

The Company made an accounting policy election available under ASC Topic 842, *Leases*, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less and instead recognizes the lease payments in net income on a straight-line basis over the lease term. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date. The Company elected to use this risk-free borrowing rate for all leases. For any lease in which the rate implicit in the lease is readily determinable, that rate must be used instead of the risk-free borrowing rate.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which would be initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent would be recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease, if present in the lease, are included in the lease payments only when it is probable that they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all lease asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate. Additionally, the Company makes payments to or on behalf of the lessor for reimbursement of certain costs, such as property taxes. These payments are non-component costs representing additional consideration in the contract, which is allocated to the single lease component. Non-lease component and non-component costs that are fixed in nature are included with the lease payments in the calculation of the lease liabilities and ROU assets; however, non-lease component and non-component costs that are variable in nature are recorded in variable lease expense in the period incurred.

# PARLOR DOUGHNUTS FRANCHISING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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### *Note 1 – Nature of Business and Significant Accounting Policies (Continued)*

#### Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was \$169,681 and \$35,771, respectively.

#### Recently Adopted Accounting Standards

##### *Financial Instruments – Credit Losses*

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326). Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, financing receivables, contract assets, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. FASB subsequently issued ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2019-11, all of which made minor modifications to Topic 326 and were to be adopted concurrently to ASU 2016-13 if it had not already been early adopted. The Company adopted this guidance included in all of these ASUs effective January 1, 2023, which did not have a material effect on the Company's financial statements.

### *Note 2 – Contract Balances*

Contract balances as of December 31, 2023, December 31, 2022, and January 1, 2022 are as follows:

	December 2023	December 31, 2022	January 1, 2022
Accounts receivable	\$595,383	\$7,356	\$25,000
Contract liabilities			
Deferred revenue	\$1,864,565	\$826,952	\$166,000

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment.

If payment has been received and revenue has not been recognized, deferred revenue is recorded.

## PARLOR DOUGHNUTS FRANCHISING, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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#### *Note 3 – Other Receivable*

During the year ended December 31, 2023, an agreement was entered into with a third party to facilitate substantially all future branded materials and merchandise orders from franchisees. The Company transferred back substantially all inventory to this third party supplier at the inventory's cost value, or \$539,089, and this amount is included in other receivable on the balance sheet as of December 31, 2023. Payment is to be received in six monthly installments beginning January 2024.

#### *Note 4 – Property and Equipment*

Property and equipment at December 31, 2023 consisted of construction-in-progress totaling \$130,784. These assets were not yet placed in service as of December 31, 2023; therefore, no depreciation expense was incurred during the year ended December 31, 2023. The Company did not have property and equipment at December 31, 2022.

#### *Note 5 – Intangible Assets*

Intangible assets at December 31, 2023 and 2022 consisted of the following:

	Weighted-Average Useful Life	2023		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets, subject to amortization				
Defensive intangible trademarks	10 years	\$ 96,000	\$ 19,200	\$ 76,800
		2022		
	Weighted-Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets, subject to amortization				
Defensive intangible trademarks	10 years	\$ 96,000	\$ 9,600	\$ 86,400

# ***PARLOR DOUGHNUTS FRANCHISING, LLC***

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

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### ***Note 5 – Intangible Assets (Continued)***

Amortization expense of the intangible assets for both years ended December 31, 2023 and 2022 was \$9,600. The estimated amortization expense expected to be charged to income over the next five years is as follows:

<u>Years Ending December 31,</u>	
2024	\$ 9,600
2025	9,600
2026	9,600
2027	9,600
2028	9,600
Thereafter	<u>28,800</u>
	<u><u>\$ 76,800</u></u>

### ***Note 6 – Line of Credit***

The Company has an operating line of credit with maximum borrowings of \$1,000,000. The note provides for interest at prime plus 0.25 percent, is secured by accounts receivable, inventory, equipment, and intangible assets, is due August 2024, and is guaranteed by the Company's members. The outstanding borrowings on this line of credit at December 31, 2023 were \$250,444.



## ***PARLOR DOUGHNUTS FRANCHISING, LLC***

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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#### ***Note 7 – Related Party Transactions***

The Company is related through common ownership to several other companies. Transactions with those companies and the shareholders for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Merchandise and materials	\$ 301,750	\$ 0
Lease expense	17,797	0

The accompanying balance sheets include the following related party amounts.

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 19,520	\$ 0
Operating lease ROU asset	453,318	0
Accounts payable	21,330	0
Operating lease liability	454,275	0

#### ***Note 8 – Leases***

The Company leases certain real estate under operating lease agreements with a related party that has initial terms of five years and two months. The Company's operating lease does not contain any material restrictive covenants or residual value guarantees, nor does it have renewal or termination options.

Operating lease expense is recognized on a straight-line basis over the lease term.

The components of lease expense for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 16,957	\$ 0
Variable lease expense	840	0
Total lease expense	<u>\$ 17,797</u>	<u>\$ 0</u>

## PARLOR DOUGHNUTS FRANCHISING, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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#### Note 8 – Leases (Continued)

The assets and liabilities related to the leases recorded on the balance sheets as of December 31, 2023 and 2022 are as follows:

	2023	2022
Operating lease:		
Operating lease ROU asset, net	\$ 453,318	\$ 0
Current maturities of operating lease liability	\$ 76,789	\$ 0
Long-term operating lease liability	377,486	0
Total operating lease liability	\$ 454,275	\$ 0

For the Company's operating lease liability as of December 31, 2023, the remaining lease term is five years, and the discount rate is 4.67 percent.

Future undiscounted cash flows for each remaining year, as well as a reconciliation to the total operating liabilities recognized on the balance sheets are as follows as of December 31, 2023:

Years Ending December 31,	
2024	\$ 96,000
2025	98,880
2026	101,846
2027	104,902
2028	108,049
Total undiscounted cash flows	509,677
Less: present value discount	(55,402)
Total lease liability	454,275
Less: current portion of lease liability	(76,789)
Long-term lease liability	<u>\$ 377,486</u>

# **PARLOR DOUGHNUTS FRANCHISING, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

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### ***Note 9 – Income Taxes***

The limited liability company is not a tax-paying entity for income tax purposes and; thus, no income tax expense has been recorded in the statements. Income from the limited liability company is taxed to the members on their individual returns.

Management evaluated the Company's uncertain tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements.

### ***Note 10 – Commitments and Contingencies***

At times, the Company has commitments to purchase a predetermined amount of inventory from vendors. If this predetermined amount exceeds the needs of the Company and its franchisees, the Company may be liable for excess inventory that is held by the vendor, but not yet purchased or received by the Company or franchisees. Based on currently available information, management believes there will not be a material adverse impact on the company's results of operation as a result of this commitment.

### ***Note 11 – Subsequent Events***

Effective 2024, the Company entered into an agreement with a third party to facilitate the sales of branded merchandise and materials to franchisees. As a result, the franchisees will order these items directly from the third party. The Company will receive a one percent rebate related to these purchases and will no longer be the principal and, therefore, will no longer record the gross activity in the Company's financial statements. The Company's cash flows and operations will not be significantly impacted with these changes.

The Company has evaluated subsequent events through March 14, 2024, the date on which the financial statements were available to be issued.

***PARLOR DOUGHNUTS FRANCHISING, LLC***

***Financial Report  
December 31, 2021***

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Parlor Doughnuts Franchising, LLC

### *Opinion*

We have audited the accompanying balance sheet of Parlor Doughnuts Franchising, LLC, (Company) as of December 31, 2021 and the related notes to the balance sheet.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of the Company as of December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit 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 Balance Sheet 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 audit. 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 Balance Sheet*

Management is responsible for the preparation and fair presentation of the balance sheet 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 the balance sheet that is free from material misstatement, whether due to fraud or error.

In preparing the balance sheet, 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 balance sheet is available to be issued.

-2-

Evansville, IN ■ Louisville, KY



**HARDING, SHYMANSKI  
& COMPANY, P.S.C.**

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and Consultants

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## ***INDEPENDENT AUDITOR'S REPORT (CONTINUED)***

### ***Auditor's Responsibilities for the Audit of the Balance Sheet***



Our objectives are to obtain reasonable assurance about whether the balance sheet as a whole is 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 balance sheet.

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 balance sheet, 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 balance sheet.
- 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 balance sheet.
- 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.

*Harding, Skypanski & Company, P.S.C.*

Evansville, Indiana  
February 18, 2022

**PARLOR DOUGHNUTS FRANCHISING, LLC**

BALANCE SHEET

December 31, 2021

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**ASSETS**

Current Assets

Cash	\$ 102,636
Accounts receivable	25,000
Prepaid expenses	<u>2,698</u>

**Total current assets** 130,334

Intangible Assets, Net 96,000

\$ 226,334

**LIABILITIES AND MEMBERS' DEFICIT**

Current Liabilities

Accounts payable	\$ 8,538
Accrued expenses and taxes	6,920
Deferred revenue - current	103,083
Due to related party	<u>155,452</u>

**Total current liabilities** 273,993

Deferred Revenue 62,917

**Total liabilities** 336,910

Members' Deficit (110,576)

\$ 226,334



## ***PARLOR DOUGHNUTS FRANCHISING, LLC***

### NOTES TO BALANCE SHEET

December 31, 2021

---

#### ***Note 1 – Nature of Business and Significant Accounting Policies***

##### *Nature of Business*

Parlor Doughnuts Franchising, LLC (Company) was established on January 8, 2021 and is a franchisor of Parlor Doughnuts, LLC. The Company provides franchises and licenses to locations in Alabama, Colorado, Florida, Kentucky, Missouri, South Carolina, and Texas. The Company also provides training, site selection assistance, and consulting for the benefit of the franchisees.

##### *COVID-19 Pandemic*

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The impacts of COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Company, it cannot estimate, with any degree of certainty, the full impact of COVID-19 on future operations and financial results.

##### *Limited Liability Company*

Since the Company is a limited liability company, no member is liable for the debts, obligations, or liabilities of the Company, except as otherwise legally obligated. The term of the Company shall be perpetual unless and until it is dissolved pursuant to state law or as provided in the limited liability company agreement.

##### *Concentrations of Credit Risk*

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. At times, such cash in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit.

## **PARLOR DOUGHNUTS FRANCHISING, LLC**

### NOTES TO BALANCE SHEET

December 31, 2021

---

#### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued)***

##### **Revenue Recognition**

Effective January 8, 2021, the date of formation of the Company, the Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

The Company's revenue is primarily derived from franchise fees, pre-opening activity fees, and royalties from the Company's franchisees. Revenue from franchise fees consists of one-time up-front nonrefundable payments in accordance with the applicable franchise agreement. The initial term of the franchise agreements is typically ten years. Revenue from royalties is calculated as a percentage of weekly gross revenues of the franchised location for the preceding week. Revenue from franchise fees, pre-opening activity fees, and royalties are subject to economic conditions and may fluctuate based on changes in the industry, trade policies, and financial markets.

The Company assesses the contract term as the period described in the Franchise Agreement in which the parties to the contract have enforceable rights and obligations. The contract term can differ from the stated term in agreements that include certain termination, renewal, or assignment rights. Franchisee agreements generally are standardized and noncancellable for the duration of the stated contract term. Franchise fees and pre-opening activity fees from franchisees are due up-front when agreements are signed. Royalties are due on Friday each week for the preceding week's gross sales.

The Company has elected the practical expedient under ASC 606 for nonpublic company franchisors to account for certain pre-opening activities as a separate performance obligation and distinct from the franchise agreement. The pre-opening activities are recognized as revenue over time as the customer simultaneously receives and consumes the benefits over the pre-opening period.

The nature of the franchise agreements provided to the Company's franchisees are generally as follows:

1. **Franchise fees:** Revenue from the franchise fee paid by franchisees in order to enter into a franchise agreement with the Company is recognized over the term of the agreement, which is typically ten years.
2. **Pre-opening activity fees:** Revenue for the pre-opening activities is recognized over time from the initial signing of the agreement until the performance obligation is satisfied, which is generally when the store opens and commences operations but no longer than one year from the initial agreement.
3. **Royalties:** Revenue from royalties collected from franchisees is recognized over time as the royalties are earned.

## ***PARLOR DOUGHNUTS FRANCHISING, LLC***

### NOTES TO BALANCE SHEET

December 31, 2021

---

#### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued)***

##### *Revenue Recognition (Continued)*

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early sign-on discounts.

The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is as follows:

Sign-on discounts: The Company provides sign-on discounts to franchisees for initial franchise fees and royalties if the franchisee signs the franchise agreement by December 31, 2021. Sign-on discounts are known at December 31, 2021 based on review of specific transactions.

The Company does not have significant financing components in its customer contracts.

The Company has elected to apply the practical expedient to expense associated costs as incurred when the expected amortization period is one year or less.

See Note 2 for customer contract balances.

##### *Accounts Receivable*

The Company's accounts receivable are due from franchisees. The Company reviews a franchisee's credit history before extending credit and, generally, collateral is not required. The direct charge-off method is used to account for losses in collection of accounts receivable. An allowance for uncollectible accounts receivable is considered unnecessary by management because all significant accounts expected to be uncollectible have been written-off.

##### *Intangible Assets*

Intangible assets consist of a defensive intangible incurred in connection with the Company's trademark. Amortization is provided for by the straight-line method over the estimated useful life of the asset. This asset will be tested for impairment annually using a fair value based approach. No indicators of impairment were identified during the period ended December 31, 2021.

## **PARLOR DOUGHNUTS FRANCHISING, LLC**

### NOTES TO BALANCE SHEET

December 31, 2021

---

#### ***Note 1 – Nature of Business and Significant Accounting Policies (Continued)***

##### *Use of Estimates*

The preparation of the balance sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### *Recent Accounting Pronouncements*

##### *Leases*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required. An entity may adopt the guidance, as well as certain practical expedients, either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company will adopt ASU 2016-02 effective for their year ending December 31, 2022. The Company is currently evaluating the impact the adoption of this guidance will have on the balance sheet.

#### ***Note 2 – Contract Balances***

Contract balances from contracts with customers consist of the following at December 31, 2021. There were no contract balances at January 8, 2021, the inception of the Company.

Accounts receivable	\$ 25,000
Contract liabilities - deferred revenue	\$ 166,000

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment.

If payment has been received and revenue has not been recognized, deferred revenue is recorded.

## ***PARLOR DOUGHNUTS FRANCHISING, LLC***

### NOTES TO BALANCE SHEET

December 31, 2021

---

#### ***Note 3 – Intangible Assets***

Intangible assets at December 31, 2021 consisted of the following:

Intangible assets, subject to amortization	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Defensive intangible trademarks	<u>\$96,0000</u>	<u>\$ 0</u>	<u>\$96,000</u>

The estimated amortization expense expected to be charged to income over the next five years is as follows:

#### Years Ending December 31,

2022	\$9,600
2023	\$9,600
2024	\$9,600
2025	\$9,600
2026	\$9,600

#### ***Note 4 – Related Party Transactions***

The Company is related through common ownership to several other companies. The accompanying balance sheet includes the following related party amounts at December 31, 2021:

Due to related party	\$155,452
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#### ***Note 5 – Income Taxes***

The limited liability company is not a tax-paying entity for income tax purposes and; thus, no income tax expense has been recorded in the balance sheet. Income from the limited liability company is taxed to the members on their individual returns.

Management evaluated the Company's uncertain tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the balance sheet.

#### ***Note 6 – Subsequent Events***

The Company has evaluated subsequent events through February 18, 2022, the date on which the balance sheet was available to be issued.

**EXHIBIT H**  
**LIST OF AGENTS FOR SERVICE OF PROCESS**

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

<p><u>California</u></p> <p>Department of Business Oversight  One Sansome Street, Suite 600  San Francisco, California 94104</p> <p>Department of Business Oversight  320 W. 4th Street, Suite 750  Los Angeles, California 90013</p> <p>Department of Business Oversight  1515 K St., Suite 200  Sacramento, California 95814  (866) 275-2677</p>	<p><u>Minnesota</u></p> <p>Minnesota Department of Commerce  Commissioner of Commerce  85 7<sup>th</sup> Place East, Suite 600  St. Paul, Minnesota 55101</p>
<p><u>Connecticut</u></p> <p>Connecticut Banking Commissioner  Department of Banking  Securities &amp; Business Investments Division  260 Constitution Plaza  Hartford, Connecticut 06103</p>	<p><u>New York</u></p> <p>Secretary of the State of New York  41 State Street  Albany, New York 12231</p>
<p><u>Hawaii</u></p> <p>Commissioner of Securities  Department of Commerce and Consumer Affairs  335 Merchant Street, Room 203  Honolulu, Hawaii 96813</p>	<p><u>North Dakota</u></p> <p>North Dakota Securities Department  State Capitol – 5<sup>th</sup> Floor  600 East Boulevard  Bismarck, North Dakota 58505-0510</p>
<p><u>Illinois</u></p> <p>Illinois Attorney General  500 South Second Street  Springfield, Illinois 62706</p>	<p><u>Rhode Island</u></p> <p>Department of Business Regulation  JOHN O. PASTORE COMPLEX  1511 Pontiac Avenue  Bldg. 69, First Floor  Cranston, Rhode Island 02920</p>

<p><u>Indiana</u></p> <p>Indiana Secretary of State  Securities Division  302 West Washington Street, Room E-111  Indianapolis, Indiana 46204</p>	<p><u>South Dakota</u></p> <p>Department of Labor and Regulation  Division of Securities  124 Euclid, Suite 104  Pierre, South Dakota 57501</p>
<p><u>Maryland</u></p> <p>Maryland Securities Commissioner  Office of Attorney General  Securities Division  200 St. Paul Place  Baltimore, Maryland 21202</p>	<p><u>Virginia</u></p> <p>Clerk, State Corporation Commission  Tyler Building, 1<sup>st</sup> Floor  1300 East Main Street  Richmond, Virginia 23219  (804) 371-9733</p>
<p><u>Michigan</u></p> <p>Michigan Department of Commerce  Corporations and Securities Bureau  P.O. Box 30054  6546 Mercantile Way  Lansing, Michigan 48909</p>	<p><u>Washington</u></p> <p>Director, Department of Financial Institutions  Securities Division  150 Israel Road Southwest  Olympia, Washington 98501</p>
	<p><u>Wisconsin</u></p> <p>Commissioner of Securities  345 West Washington Street, 4<sup>th</sup> Floor  Madison, Wisconsin 53703</p>

**EXHIBIT I**  
**STATE SPECIFIC ADDITIONAL DISCLOSURES AND STATE SPECIFIC ADDENDA**



## CALIFORNIA

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. Section 31125 of the California Corporations Code requires us to give you a Disclosure Document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

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

4. The following is added to the end of the “Summary” sections of Item 17(h), titled “**Cause defined - non-curable defaults**”:

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.).

5. The following is added to the end of the “Summary” sections of Item 17(r), titled “**Non-competition covenants after the franchise is terminated or expired**”:

The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.

6. The following is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**:

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

7. The following is added to the end of the “Summary” section of Item 17(w), entitled **Choice of Law**:

The Franchise Agreement requires application of the laws of a state other than the State of California. This provision might not be enforceable under California law.

8. The following URL address is for the franchisor’s website: <https://www.parlordoughnuts.com/>.  
FRANCHISOR’S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE  
AGREEMENT FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Agreement is amended as follows:

- The California Business and Professions Code 20000 through 20043 provide rights to the 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.
- Section 19, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 22 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.

2. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## HAWAII

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF HAWAII**

1. The following list reflects the status of our franchise registrations in the states that have franchise registration and/or disclosure laws:

- This registration is not currently effective in any state.
- This proposed registration is on file with or will shortly be on file with the State of Indiana.
- There are no states that have refused, by order or otherwise, to register these franchises.
- There are no states that have revoked or suspended the right to offer these franchises.

2. You must sign a general release if you renew or transfer your franchise. This release shall exclude claims arising under the Hawaii Franchise Investment Law.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

4. The following is added to the end of the "Summary" sections of Item 17(h), titled "**Cause defined - non-curable defaults**":

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.).

5. The Receipt Pages are amended to add the following:

- THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

- THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.
- THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE  
AGREEMENT FOR THE STATE OF HAWAII**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Agreement is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 3 and 21 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section 19, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## ILLINOIS

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF ILLINOIS**

1. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.

2. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

Any provision in the Franchise Agreement requiring a general release is void if the provision requires a waiver of compliance with the Illinois Franchise Disclosure Act.

3. The following is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

4. The following is added to the end of the “Summary” section of Item 17(w), entitled **Choice of Law**:

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Agreement is amended as follows:

- Sections 3 and 21 are amended to add that no general release shall be required as a condition of renewal or transfer that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.
- Section 19 is amended to add that the conditions under which the Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.
- Section 24(C) is amended to add that the Agreement shall be governed by Illinois law.

2 Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the litigation of any claim pursuant to the provisions of Title 9 of the United States Code.

3 Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

Title \_\_\_\_\_



## INDIANA

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF INDIANA**

1. ITEM 8 of the Disclosure Document is amended to add the following:

Under Indiana Code § 23-2-2.7-1(4), Franchisor will not obtain money, goods, services, or any other benefit from any other person with whom Franchisee does business, on account of, or in relation to, the transaction between Franchisee and the other person, other than for compensation for services rendered by Franchisor, unless the benefit is promptly accounted for, and transmitted by Franchisee.

2. ITEMS 6 and 9 of the Disclosure Document are amended to add the following:

Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if the procedures or products were utilized by Franchisee in the manner required by Franchisor.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

Indiana Code § 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

4. The following is added to the end of the "Summary" sections of Item 17(e), titled "**Termination by franchisor without cause**":

Indiana Code § 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and the termination is not in bad faith.

5. The following is added to the end of the "Summary" sections of Item 17(r), titled "**Non-competition covenants after the franchise is terminated or expired**":

Indiana Code § 23-2-2.7-1(9) prohibits the post-termination covenant not to compete to have a geographical limitation larger than the Territory granted to Franchisee under the Franchise Agreement.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, Ind. Code § 23-2-2.7, et seq., and the Indiana Franchise Disclosure Law, Ind. Code § 23-2- 2.5, et seq., the Agreement is amended as follows:

- Sections 3(B) and 21(B) do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- In accordance with IC 23-2-2.7-1(2), Section 5 does not permit Franchisor to compete unfairly with Franchisee within a reasonable area.
- In accordance with IC 23-2-2.7-1(1), Section 10 does not impose a requirement on Franchisee to purchase goods, supplies, inventories, or services exclusively from Franchisor or sources designated by Franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by Franchisor.
- Section 17 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 19(A) is amended to prohibit unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and the termination is not in bad faith and to prohibit the discontinuance of services or products for which Franchisor is an Approved Supplier in the event of default by Franchisee.
- Section 22(A) is amended subject to IC 23-2-2.7-1(9) to provide that the post- termination covenant not to compete contained therein shall have a geographical limitation of the Territory granted to Franchisee under the Franchise Agreement.
- In accordance with IC 23-2-2.7-1(10), Section 24(E) is deleted.
- In accordance with IC 23-2-2.7-1(10), Section 24(F) does not waive the party's rights to trial by jury.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana statute(s) applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## MARYLAND

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MARYLAND**

1. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

Under the Maryland Franchise Registrations and Disclosure Law, Md. Code Ann. Bus. Reg. §14-201 et seq., no general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” sections of Item 17(h), titled “**Cause defined - non-curable defaults**”:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

3. The following is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**:

Any litigation between Franchisee and Franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. The following is added to the end of the “Summary” section of Item 17(w), entitled **Choice of Law**:

In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

5. Exhibit I to the Disclosure Document is amended as follows:

Any portion of the Disclosure Questionnaire which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any of these representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Agreement is amended as follows:

- Sections 3(B) and 21(B) require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.
- Section 19, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 24(B) requires litigation to be conducted in the State of Indiana; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Section 24(C) requires that the Franchise be governed by the laws of the State of Indiana; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

2. Any Section of the Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## MINNESOTA

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA**

1. ITEM 13 of the Disclosure Document is amended as follows:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the Proprietary Marks, so long as you were using the Proprietary Marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(f), entitled "**Termination by franchisor with cause**":

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

We will not require a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

4. The following is added to the end of the "Summary" section of Item 17(v), entitled "**Choice of forum**":

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

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Agreement agree as follows:

- Sections 3(B) and 19(A) is amended to add that with respect to Franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.
- Sections 3(B) and 21(B) do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.
- Section 15 is amended to add that as required by Minnesota Franchise Act, Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Proprietary Marks, so long as Franchisee was using the Proprietary Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
- Section 24(F) does not waive the party's rights to trial by jury pursuant to Minn. Rule Part 2860.4400J
- Minn. Rule Part 2860.4400J prohibits Franchisee from waiving its rights to consenting to Liquidated Damages, termination penalties or judgment notes. To the extent that the Agreement requires Franchisee to waive these rights, the Franchise Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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



NEW YORK

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY THE STATE OF NEW YORK DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- a. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- b. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise System or its business operations.
- c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action

alleging violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

- 3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

- 4. The following is added to the end of Item 5:

The Initial Franchise Fee constitutes part of our general operating funds and will be used as such in our discretion.

- 5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE  
AGREEMENT FOR THE STATE OF NEW YORK**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Agreement is amended as follows:

- Sections 3(B) and 21(B) require Franchisee to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under the General Business Laws.
- Section 19(B) is amended to state that Franchisee may terminate the agreement on any grounds available by law.
- Under Section 21(A), Franchisor shall not transfer and assign its rights and obligations under the Agreement unless the transferee will be able to perform Franchisor's obligations under the Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- Section 17 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 24(C) requires that the Franchise be governed by the laws of the State of Indiana, such a requirement will not be considered a waiver of any right conferred upon Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## NORTH DAKOTA

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF NORTH DAKOTA**

1. ITEM 5 of the Disclosure Document is amended by the addition of the following language to the original language:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel the Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under North Dakota Law.

3. The following is added to the end of the "Summary" sections of Item 17(r), titled "**Non-competition covenants after the franchise is terminated or expired**":

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

4. The following is added to the end of the "Summary" section of Item 17(v), titled "**Choice of forum**":

A provision requiring litigation to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.

5. The following is added to the end of the "Summary" section of Item 17(w), titled "**Choice of law**":

In the event of a conflict of laws, North Dakota Law will control.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51- 19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Under Sections 3(B) and 21(B), the execution of a general release upon renewal or transfer shall be inapplicable to Franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.
- Section 22(A) is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- Section 24(B) is amended to state that litigation involving a Franchise purchased in North Dakota must be held either in North Dakota.
- Section 24(C) is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## RHODE ISLAND

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF RHODE ISLAND**

1. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

- Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

2. The following is added to the end of the “Summary” section of Item 17(v), titled “**Choice of forum**”:

- The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.



**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Agreement is amended as follows:

- Sections 3(B) and 21(B) require Franchisee to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.
- Section 24 is amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## **VIRGINIA**

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Parlor Doughnuts Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. The following is added to the end of the "Summary" sections of Item 17(h), titled "**Cause defined - non-curable defaults**":

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. The following is deleted from Section 19 from the Agreement:

Franchisee defaults under any other agreement between Franchisor and Franchisee or Affiliate and Franchisee and such default authorizes Franchisor or Affiliate to terminate the agreement;

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of Section 13.1-559 of the Virginia Retail Franchising Act applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## WASHINGTON

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF WASHINGTON**

In recognition of the Washington Franchise Investment Protection Act (the "Act"), RCW 19.100, the Franchise Disclosure Document is amended as follows:

1. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

With respect to franchises governed by the Act, a general release or waiver of rights signed by you will not include rights under the Act.

2. The following is added to the end of the "Summary" section of Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

With respect to franchises governed by the Act, the transfer fee is collectable only to the extent that it reflects the franchisor's reasonable estimated or actual costs in effecting the transfer.

3. The following is added to the end of the "Summary" section of Item 17(v), entitled "**Choice of forum**":

With respect to franchises governed by the Act, the requirement for any litigation proceedings to be conducted in a state other Washington shall not limit any rights such franchisees may have under the Act to arbitrate in the State of Washington.

4. The following is added to the end of the "Summary" section of Item 17(u), entitled "**Dispute resolution by arbitration or mediation**":

With respect to franchises governed by the Act, a release or waiver of rights executed by a franchisee shall not apply to any liability under the Act except when executed pursuant to a negotiated settlement after the agreement was in effect and where the parties are represented by independent counsel. Furthermore, provisions which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

5. The following is added to the end of the "Summary" section of Item 17(w), entitled "**Choice of Law**":

In the event of a conflict of laws, the provisions of the Act shall prevail.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Parlor Doughnuts Franchising, LLC and \_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940 (the "Act"), the Agreement is amended as follows:

- The State of Washington has a statute, RCW 19.100.180 which may supersede the Agreement, including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement, including the areas of termination and renewal of the franchise. Provisions of the Act relating to the areas of termination and renewal of the franchise will prevail.
- Sections 3(B) and 21(B) require Franchisee to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under the Act. A release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
- Section 21(B) is amended so that the Transfer Fee is collectable to the extent that it reflects Franchisor's reasonable estimated or actual costs in effecting a Transfer.
- Section 24(B) requires litigation to be conducted in the State of Indiana; the requirement shall not limit any rights Franchisee may have under the Act to bring suit in the State of Washington.
- Section 24(D) requires that the Franchise be governed by the laws of the State of Indiana; such a requirement may be unenforceable in the event of a conflict with the Act. In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Act applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

## WISCONSIN

### **ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF WISCONSIN**

1. The following is added to the end of the “Summary” sections of Item 17(h), titled “**Cause defined - non-curable defaults**”:

- The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.

**ADDENDUM TO PARLOR DOUGHNUTS FRANCHISING, LLC'S FRANCHISE  
AGREEMENT FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between  
Parlor Doughnuts Franchising, LLC and \_\_\_\_\_  
\_\_\_\_\_ and amends the Franchise Agreement between the parties dated as of the Effective Date (the "Agreement").

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Parlor Doughnuts Franchising, LLC:

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

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

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

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

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

**EXHIBIT J**  
**FRANCHISE COMPLIANCE CERTIFICATION**

Please review each of the following questions and statements carefully and provide honest and complete responses to each. **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.**

1. You had your first face-to-face meeting with our representative on: \_\_\_\_\_
  
2. Did you sign a receipt for the FDD indicating the date you received it?  

Yes       No
  
3. Do you acknowledge and understand that no parent of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?  

Yes       No
  
4. You signed the Franchise Agreement and Addendum (if any) and related agreements on \_\_\_\_\_, 2024 and acknowledge that no agreement or addendum is effective until signed and dated by us.

The individuals signing below for the Franchisee constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee, or constitute the duly authorized representatives or agents of the foregoing.

**FRANCHISEE:**

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

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

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



**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:

<b>State</b>	<b>Effective Date</b>
California	July 11, 2023
Hawaii	
Illinois	July 31, 2023
Indiana	April 5, 2023
Maryland	March 22, 2024
Michigan	November 2, 2023
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	July 27, 2023
Washington	
Wisconsin	April 11, 2023

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 K**  
**FRANCHISE DISCLOSURE DOCUMENT RECEIPT (COPY 1)**

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 Parlor Doughnuts Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of New York.

If Parlor Doughnuts Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise. Franchisor will check the name of the person who offered the franchise.

Paul Bair  
204 Main Street, Suite D  
Evansville, IN, 47708  
812-303-8011

Darrick Hayden  
204 Main Street, Suite D  
Evansville, IN, 47708  
812-303-8011

Josh Tudela  
204 Main Street, Suite D  
Evansville, IN, 47708  
812-303-8011

This Disclosure Document includes the following Exhibits:

- Exhibit A** – List of State Administrators
- Exhibit B** – Franchise Agreement and Exhibits
- Exhibit C** – Multi-Unit Development Agreement and Exhibits
- Exhibit D** – List of Current Franchisees
- Exhibit E** -- List of Franchisees Who Have Left the System
- Exhibit F** – Operations Manual-Table of Contents
- Exhibit G** – Financial Statements
- Exhibit H** – List of Agents for Service of Process
- Exhibit I** – State Specific Disclosures and State Specific Addenda to Agreements
- Exhibit J** – Franchise Compliance Certification
- Exhibit K** -- Disclosure Document Receipt (last page of Disclosure Document)

Please sign and print your name below, date and return one copy of this receipt to Parlor Doughnuts Franchising, LLC and keep the other for your records. By signing and dating below you acknowledge that you have received this Franchise Disclosure Document with an Issuance Date of March 25, 2024.

\_\_\_\_\_  
Date of Receipt

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

\_\_\_\_\_  
Signature

**EXHIBIT K**  
**FRANCHISE DISCLOSURE DOCUMENT RECEIPT (COPY 2)**

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 Parlor Doughnuts Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of New York.

If Parlor Doughnuts Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the State Administrator listed in Exhibit A.

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Paul Bair  
204 Main Street, Suite D  
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- Exhibit I** – State Specific Disclosures and State Specific Addenda to Agreements
- Exhibit J** – Franchise Compliance Certification
- Exhibit K** -- Disclosure Document Receipt (last page of Disclosure Document)

Please sign and print your name below, date and return one copy of this receipt to Parlor Doughnuts Franchising, LLC and keep the other for your records. By signing and dating below you acknowledge that you have received this Franchise Disclosure Document with an Issuance Date of March 25, 2024.

\_\_\_\_\_  
Date of Receipt

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

\_\_\_\_\_  
Signature