

FRANCHISE DISCLOSURE DOCUMENT



Sprinkles Franchise Group LLC
a Delaware limited liability company
7710 Rialto Blvd Suite 150
Austin, Texas 78735
(737) 256-8300
franchising@sprinkles.com
www.sprinkles.com

As a franchisee, you will own and operate a Sprinkles Cupcakes Bakery featuring cupcakes and other menu items prepared according to our specified recipes and procedures. The total investment necessary to begin operation of a Production Bakery is \$880,000 to \$1,310,000. This includes \$40,000 to \$43,250 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Pantry Bakery is \$725,000 to \$1,215,000. This includes \$40,000 to \$43,250 that must be paid to the franchisor or affiliate. We and you may choose to sign a Development Rights Agreement under which you will develop a number of Sprinkles Cupcakes Bakeries. We expect the Development Rights Agreement to cover between 2 and 10 Sprinkles Cupcakes Bakeries. The total investment necessary to begin operation under a Development Rights Agreement is \$40,500 to \$202,500. This includes \$40,000 to \$200,000 that must be paid to the franchisor or affiliate.

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

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 Brett Willis, our Vice President of Development, at 7710 Rialto Blvd Suite 150, Austin, Texas 78735, (737) 256-6681 x 1034.

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

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

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

Issuance date of this Franchise Disclosure Document: April 28, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and development rights agreement require you to resolve disputes with the franchisor by arbitration and/or litigation in the city and state where the franchisor maintains its principal business (currently Austin, Texas). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED
BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa, Lansing, Michigan 48909
(517) 335-7567

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce that section as written, and you will agree in the Franchise Agreement to abide by its terms.

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Us and Our Related Companies

To simplify the language in this disclosure document, “we” or “us” means Sprinkles Franchise Group LLC, the franchisor. “You” means the person or entity that acquires the franchise. If you are a corporation, limited liability company or other entity, your owners must sign either the Guaranty or Key Personnel Agreement attached to the “**Franchise Agreement**” (Exhibit B), which means that all or some of the provisions of the Franchise Agreement also will apply to your owners.

We are a limited liability company organized in Delaware on August 10, 2020. We do business under the name Sprinkles Cupcakes®. We first started offering franchises in February 2021. We have never operated Sprinkles Cupcakes Bakeries or offered franchises in any other line of business, but our related companies and their principals have operated Sprinkles Cupcakes Bakeries since 2005. We have no other business activities except those described here. Our principal business address is at 7710 Rialto Blvd Suite 150, Austin, Texas 78735. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

We have no predecessors. Our parent company is Sprinkles Franchise Holdings, LLC, a Delaware limited liability company whose principal business address is the same as our address. We have no affiliates who offer franchises in any line of business or provide products and services to our franchisees.

Franchise Opportunity

We grant franchises for bakeries featuring handcrafted cupcakes, cookies, brownies, and other products and services which are primarily identified by the Marks (defined below) and use the Franchise System (defined below) (collectively, “**Sprinkles Cupcakes Bakeries**”). Sprinkles Cupcakes Bakeries operate under certain trademarks, service marks, and other commercial symbols, and we may periodically create, use and license or sublicense other trademarks, service marks and commercial symbols for use in operating Sprinkles Cupcakes Bakeries, such as SPRINKLES and SPRINKLES CUPCAKES, all of which we may periodically modify (collectively, the “**Marks**”). “**Franchise System**” means our business system, business formats, product preparation techniques and processes, methods, procedures, signs, designs, layouts, trade dress, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify periodically.

In this disclosure document, we call your Sprinkles Cupcakes Bakery that you will operate under the Franchise Agreement your “**Bakery**.” You must operate the Bakery from a site we accept (the “**Site**”). You must operate the Bakery according to the operating manual and/or other manuals (collectively, the “**Operations Manual**”). The Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we periodically specify for developing and/or operating a Sprinkles Cupcakes Bakery (“**System Standards**”) and information on your other obligations under the Franchise Agreement. The Bakery will offer a wide variety of handcrafted cupcakes, cookies, brownies and other baked-goods. You must prepare

the menu items according to our specified recipes and comply with our System Standards. In addition, you must provide and/or contract with one or more third parties whom we designate to provide, Delivery Service from the Bakery according to the Franchise Agreement, including all applicable System Standards. “**Delivery Service**” means the delivery of baked goods that are fully prepared at the Bakery and ready for consumption to customers at locations other than the Site.

We classify Sprinkles Cupcakes Bakeries as either Production Bakeries or Pantry Bakeries. “**Production Bakeries**” prepare, produce, and/or modify certain batters, frosting, and/or other proprietary mixes and ingredients used in the preparation of certain products that Sprinkles Cupcakes Bakeries sell (as we may periodically modify them, collectively, the “**Proprietary Mixes**”) and use those Proprietary Mixes to prepare certain products that the Production Bakeries sell to customers. We may periodically modify the Proprietary Mixes. “**Pantry Bakeries**” obtain their Proprietary Mixes from Production Bakeries and/or other sources we designate or approve and use those Proprietary Mixes to bake and otherwise prepare on-site certain products that the Pantry Bakeries sell to customers. Your (or your affiliate’s) first Sprinkles Cupcakes Bakery must be a Production Bakery. If we approve, you or your affiliate may develop and operate a Production Bakery or Pantry Bakery for your second or any subsequent Sprinkles Cupcakes Bakery. You may not develop a Pantry Bakery unless you (or your affiliate) own and operate a Production Bakery that we determine will have the ability and capacity to provide a Pantry Bakery with all of its requirements for Proprietary Mixes.

Before signing or at the same time as signing a Franchise Agreement, we and you may sign a “**Development Rights Agreement**” (Exhibit C) under which you and/or any company of which you own 90% of the ownership interests (a “**Controlled Affiliate**”) will sign franchise agreements for and develop a specified number of Sprinkles Cupcakes Bakeries to be located within a specifically described geographic territory (the “**Development Area**”). The Sprinkles Cupcakes Bakeries can be either Production Bakeries or Pantry Bakeries, but you or your Controlled Affiliate must always operate at least one Production Bakery that, in our sole judgment, is able to provide Proprietary Mixes to all of the Pantry Bakeries. We expect that most of our franchisees will sign Development Rights Agreements. Before you sign the Development Rights Agreement, we and you will agree to the Development Area, the number of Sprinkles Cupcakes Bakeries you must open in the Development Area, and the timeframe within which you must sign franchise agreements for and open each Sprinkles Cupcakes Bakery (the “**Development Schedule**”). We will grant Sprinkles Cupcakes Bakery franchises under the Development Rights Agreement only to you or your Controlled Affiliates, and franchises that we grant to your Controlled Affiliates will count toward your Development Schedule. You (or your Controlled Affiliates) will sign our then current form of franchise agreement, which may differ from the Franchise Agreement included in this disclosure document, for each Sprinkles Cupcakes Bakery developed under the Development Rights Agreement. However, for each franchise agreement that the Development Rights Agreement covers, the initial franchise fee is \$40,000 and the royalty is 5% of the Sprinkles Cupcakes Bakery’s gross sales.

Market and Competition

We operate in a well-developed and competitive market. The Bakery will offer handcrafted cupcakes and other premium baked goods to the general public. Sales are generally not seasonal. Your competitors include local, regional and national bakeries, particularly those that sell cupcakes or baked goods for gifts and special occasions; and other businesses specializing in or offering

baked-goods or other dessert products. Dessert and/or bakery concepts compete based on many factors, such as price, service, product quality, location, promotions and marketing programs.

Industry Regulations

Many federal, state and local laws govern the food service industry, including health, sanitation and safety regulations regarding food storage, preparation and menu labeling. You must comply with these laws and other laws and regulations that apply to businesses generally, such as those relating to site location and building construction like the Americans with Disabilities Act. You must also comply with all applicable laws, rules, and orders of any governmental authority concerning any pandemic or public health crisis, which may require businesses in the baking industry to materially modify, limit, or cease operations for an indeterminate period. You should consider these and other laws and regulations when evaluating your purchase of a franchise.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer and President: Dan Menches

Dan Menches has been our Chief Executive Officer and President since January 2017.

Chief Marketing Officer: Michelle Wong

Michelle Wong has been our Chief Marketing Officer since June 2021. Before joining us, Ms. Wong served as Principal at M. Wong Consulting in Los Angeles, California from January 2020 to June 2021 and President and Managing Partner at Dailey Advertising in West Hollywood, California from September 2008 to December 2019.

Senior Vice President of Operations: Justin Murakami

Justin Murakami has been our Senior Vice President of Operations since May 2021. He previously served as our Vice President of Operations from June 2017 to May 2021.

Vice President of Culinary: Charles Craig

Charles Craig has been our Vice President of Culinary since November 2017.

Vice President of Technology: Daniel Legh-Page

Daniel Legh-Page has been our Vice President of Technology since March 2018. Before joining us, Mr. Legh-Page served as the Senior Director of Technology at Mama Fu's Asian House in Austin, Texas from October 2016 to March 2018.

Vice President of Development: Brett Willis

Brett Willis has been our Vice President of Development since February 2020. Before joining us, Mr. Willis served as the Chief Development Officer at Pei Wei Asian Diner in Irving,

Texas from January 2019 to June 2019 and as the Chief Development Officer at Cici's Pizza in Irving, Texas from March 2014 to August 2019.

Vice President of Human Resources: Jennifer Zion

Jennifer Zion has been our Vice President of Human Resources since May 2021. Before joining us, Ms. Zion served as the Director of Human Resources at Tavistock Freebirds LLC in Austin, Texas from June 2017 to May 2021.

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

Franchise Agreement

When you sign the Franchise Agreement for either a Production Bakery or a Pantry Bakery, you must pay us a lump sum initial franchise fee of \$40,000, less any amount credited toward the initial franchise fee under a Development Rights Agreement between us and you or your affiliate. This initial franchise fee is uniform and not refundable under any circumstances.

Before you open the Bakery for business, we will provide an initial brand standard training program for your Managing Owner (defined in Item 15), your General Manager (defined in Item 15), and 2 assistant managers at the Bakery (the “**Initial Training Program**”). However, if the Managing Owner has attended and completed the Initial Training Program to our satisfaction under an existing franchise agreement with us, we will not require the Managing Owner to attend the Initial Training Program. At your option, additional personnel for the Bakery may attend the Initial Training Program. Except as otherwise described below, we provide the Initial Training Program to 4 individuals associated with the Bakery at no charge. Additional members of the Bakery staff may participate, but we may charge a fee for each additional participant. We currently charge \$2,500 for each additional staff member. If we determine that you or any of your personnel cannot complete the Initial Training Program to our satisfaction, then we may require you or your personnel to attend additional training programs at your expense for which we may charge fees (currently \$750 per week). Training fees are not refundable under any circumstance.

Development Rights Agreement

If you sign a Development Rights Agreement, you must pay us a development fee equal to \$20,000 multiplied by the number of Sprinkles Cupcakes Bakeries you will develop within the Development Area. You must pay us this fee in a lump sum when you sign the Development Rights Agreement. We will not refund the development fee under any circumstances, but we will apply \$20,000 of the development fee toward the initial franchise fee owed under each Franchise Agreement that the Development Rights Agreement covers. We expect the Development Rights Agreements to cover between 2 and 10 Sprinkles Cupcakes Bakeries.

Item 6

OTHER FEES

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	5% of Bakery's Gross Sales ⁽²⁾	On the day of each week we periodically specify ("Payment Day"), currently Tuesday	See Note (1).
Brand Fund ⁽³⁾ contribution	Currently 2% of the Bakery's Gross Sales, subject to the Marketing Spending Requirement ⁽⁴⁾	On the Payment Day, currently Tuesday	We intend to start the Brand Fund in 2023. See Note (1).
Advertising Cooperative contributions	If established, the amount the cooperative periodically establishes, subject to the Marketing Spending Requirement ⁽⁴⁾	As the cooperative determines	See Note (5).
Marketing Spending Requirement shortfall	Difference between Marketing Spending Requirement and amount you spent	As incurred	See Note (4).
Sprinkles Web Platform fee	Currently \$300 per month, but could increase if our costs increase ⁽⁶⁾	Monthly	See Note (7).
Guest services phone support fees	Currently \$1.25 per call, but could increase if our costs increase ⁽⁶⁾	Monthly	See Note (8).
One-off menu updates	Currently \$100 per hour	Monthly	Payable for Bakery-specific updates to menus and other aspects of the Sprinkles Web Platform.
Ongoing training fees	Currently \$0 to \$2,500 per year, but could increase if our costs increase ⁽⁶⁾	As incurred	Payable only if we require additional training courses.
Operations Manual replacement fee	\$500	As incurred	Payable only if you require a replacement Operations Manual.

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Supplier review fees	Currently \$1,500, but could increase if our costs increase ⁽⁶⁾	As incurred	Payable only if you ask us to review a new supplier.
Product review fees	Currently \$1,500, but could increase if our costs increase ⁽⁶⁾	As incurred	Payable only if you ask us to review a new local cupcake flavor or recipe formulation.
Transfer fee – non-control transfer	\$2,500	Before transfer if completed	Payable on proposed non-control transfer.
Transfer fee – control transfer	25% of the then current initial franchise fee (currently would be \$10,000)	Before transfer is completed	Payable on proposed control transfer, in addition to any transfer fee under Development Rights Agreement and other Franchise Agreements.
Successor franchise fee	50% of the then current initial franchise fee (currently would be \$20,000)	Upon signing successor franchise agreement	
Management fee	3% of Gross Sales ⁽³⁾ plus direct costs and expenses	As incurred	Due only if we manage the Bakery while we consider whether to exercise purchase option.
Costs and attorneys' fees	Will vary under circumstances	As incurred	Payable under Franchise Agreement and Development Rights Agreement by non-prevailing party if we or you initiate legal proceedings.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us and our affiliates under Franchise Agreement and Development Rights Agreement if we or they incur costs for claims arising from the Bakery's development or operation, your business, your breach of the agreement or your noncompliance with any law.

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Relocation	Our reasonable costs incurred in your relocation, currently we estimate \$2,500 to \$10,000 but could increase if our costs increase ⁽⁶⁾	As incurred	Covers costs we incur in connection with the proposed relocation.
Interest	1.5% per month or highest interest rate the law allows, whichever is less	As incurred	Due on all overdue amounts and dishonored payments.
Insurance costs	Premiums plus our costs and expenses	As incurred	Due only if you fail to maintain (or prove you have) insurance and we, at our option, obtain insurance for you.
Audit expenses	Cost of audit	As incurred	Due only if you fail to timely furnish reports or understate Royalty or Brand Fund contributions by 2% or more.
Inspections	Currently \$1,000 plus travel expenses, but could increase if costs increase ⁽⁶⁾	As incurred	If you fail to satisfy our System Standards in any quality assurance inspection or evaluation, we may charge a reasonable fee for any additional inspections or evaluations.
Liquidated damages	Average monthly Royalties and Brand Fund contributions that you owed during the 12 months before the month of termination (or the shorter period during which the Bakery operated) multiplied by 36 or the number of months remaining in the term, whichever is less	As incurred	Covers certain damages due if we terminate the Franchise Agreement before the term expires.
Deadline extension fee under Development Rights Agreement	\$2,500	Before the deadline for selecting a site, signing a franchise agreement or opening a bakery	If we deny the 90-day extension, we will refund this fee.
Additional site visits under the Development Rights Agreement	\$1,000 for each site visit (after the first 2 site	Before the requested site visit	Payable if you request and we provide more than 2 proposed site visits for any Sprinkles Cupcakes Bakery.

Explanatory Notes

- (1) Except as described for the deadline extension fee under the Development Rights Agreement, all fees in this Item 6 are non-refundable. These fees are imposed and collected by, and payable to, us. These fees are uniform for franchisees and developers signing the Franchise Agreement and Development Rights Agreement included in this disclosure document. There are currently no franchisee advertising cooperatives in the Sprinkles Cupcakes Bakery network.

You must sign and deliver to us the documents we periodically require to authorize us to debit your bank account automatically for the Royalty, Brand Fund contribution, and other amounts due under the Franchise Agreement or any related agreement between us (or our affiliates) and you. Under our current automatic debit program for the Bakery, we will debit your account on or after the Payment Day for the Royalty and Brand Fund contributions. You must make the funds available for withdrawal by electronic transfer before each due date. If you fail to report the Bakery's Gross Sales, we may debit your account for 120% of the last Royalty and Brand Fund contribution that we debited. If the amounts that we debit from your account are less than the amounts you actually owe us (once we have determined the Bakery's actual Gross Sales), we will debit your account for the balance, plus interest, on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us (once we have determined the Bakery's actual Gross Sales), we will credit the excess (without interest) against the amounts we otherwise would debit from your account during the following week(s). We may periodically change the mechanism for your payments of Royalties, Brand Fund contributions and other amounts you owe to us and our affiliates under the Franchise Agreement or any related agreement upon written notice to you.

In addition to any sales, use and other transaction taxes that applicable law requires or permits us to collect from you for providing goods or services under the Franchise Agreement, you must pay us all federal, state, local or foreign (a) sales, use, excise, privilege, occupation or any other transactional taxes, and (b) other taxes or similar exactions, no matter how designated, that are imposed on us or that we are required to withhold relating to the receipt or accrual of Royalties or any other amounts you pay us under the Franchise Agreement, excluding only taxes imposed on us for the privilege of conducting business and calculated based on our net income, capital, net worth, gross receipts, or some other basis or combination of those factors, but not excluding any gross receipts taxes imposed on us or our affiliates for your payments intended to reimburse us or our affiliates for expenditures incurred for your benefit and on your behalf. You must make these additional required payments in an amount necessary to provide us with after-tax receipts (taking into account any additional required payments) equal to the same amounts that we would have received if the additional tax liability or withholding had not been imposed or required.

- (2) **“Gross Sales”** means all revenue that you receive or otherwise derive from operating the Bakery, whether from cash, check, credit and debit card, barter, exchange, trade

credit, or other credit transactions, including (i) any implied or imputed Gross Sales from any business interruption insurance; (ii) all revenue from selling products intended for off-premises consumption or use and from providing Delivery Service (as defined below); and (iii) any implied or imputed Gross Sales (at the actual retail selling price) for products and services provided to charities, schools, and other organizations of a reduced price or without charge for marketing or customer relations purposes (“Comp Sales”), but only to the extent that the Comp Sales exceed 1% of the Bakery’s other Gross Sales during the applicable period. However, “Gross Sales” excludes (a) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; (b) any bona fide refunds and credits that are actually provided to customers; and (c) the face value of coupons or discounts that customers redeem. Each charge or sale upon credit constitutes a sale for the full price on the day during which the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale. Gift certificate, gift card, stored value card or similar program payments count as Gross Sales when the gift certificate, other instrument or applicable credit is redeemed.

- (3) Upon 30 days’ notice to you, we may implement, and after that will administer and control, the Brand Fund. Beginning in 2023, we plan to start collecting Brand Fund contributions equal to 2% of Gross Sales from all franchised and affiliate-owned Sprinkles Cupcakes Bakeries (other than those at non-traditional locations). The “**Brand Fund**” is a marketing and brand fund for the advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials for all or a group of Sprinkles Cupcakes Bakeries that we periodically deem appropriate.
- (4) The “**Marketing Spending Requirement**” is the maximum amount that we can require you to spend on Brand Fund contributions, Cooperative (defined below) contributions and approved Local Marketing for the Bakery during each calendar quarter, and is an amount we periodically specify up to 5% of the Bakery’s Gross Sales during that calendar quarter. “**Local Marketing**” means the approved advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials that you or your agents or representatives develop or implement relating to the Bakery. We will not count towards your Marketing Spending Requirement the cost of free or discounted products or services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgment, deem inappropriate for meeting the Marketing Spending Requirement. We may periodically review your books and records and require you to submit reports periodically to determine your Cooperative contributions and Local Marketing expenses. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any quarter, then in addition to our other rights, we may require you to pay us the shortfall as an additional Brand Fund contribution or for us to spend on Local Marketing for the Bakery.
- (5) We may designate a geographic area in which 2 or more Sprinkles Cupcakes Bakeries are located as an area for an advertising or marketing cooperative (a “**Cooperative**”).

The Cooperative's members in any area are the owners of all of the Sprinkles Cupcakes Bakeries located and operating in that area (including us and our affiliates, if applicable) that we can require to participate in the Cooperative. If we have established a Cooperative for the geographic area in which the Bakery is located when you sign the Franchise Agreement, or if we establish a Cooperative in that area during the Franchise Agreement's term, you must sign the documents that we require to become a member of the Cooperative and participate in the Cooperative as those documents require. You must contribute to the Cooperative the amounts that the Cooperative determines, subject to our approval and the Marketing Spending Requirement. All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of more than 50% of all Sprinkles Cupcakes Bakeries participating in the Cooperative (including, if applicable, those that we or our affiliate operate), with each Sprinkles Cupcakes Bakery receiving one vote.

- (6) Some fees and payments might vary depending on our (or our affiliate's) costs to provide the applicable products or services or any additional products or services that we (or our affiliate) provide. If those costs increase or we (or our affiliate) offer additional products or services, we will provide you with written notice, but increases will not exceed 10% per year in the aggregate for either the Sprinkles Web Platform fee or guest services phone support fee.
- (7) The “**Sprinkles Web Platform**” is our proprietary web-based system and online ordering platform. The Sprinkles Web Platform fee covers costs related to the ongoing maintenance and enhancement of the Sprinkles Web Platform. The Sprinkles Web Platform includes production models, a custom ordering platform, a custom order dashboard for your Bakery, a custom reporting dashboard, and system-wide limited time offer marketing and other national promotions.
- (8) The guest services phone support fee covers costs associated with the back-of-house customer service center we have established to attend to customer orders, complaints and other customer service matters via telephone. We will charge you for (a) customer orders that we direct to your Bakery, and (b) calls related to products or services customers purchased or otherwise received at the Bakery. We will charge you only for calls received or those connected through the automated call-back mechanism.

Item 7

ESTIMATED INITIAL INVESTMENT

Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Table 1: Production Bakery

Column 1 Type of Expenditure (1)	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Initial franchise fee (2)	\$40,000	Installments if you sign Development Rights Agreement, lump sum if not	Upon signing Development Rights Agreement/ Franchise Agreement	Us
Construction and leasehold improvements (3)	\$400,000 to \$500,000	Lump sum or progress payments	As needed	Contractors and vendors
Architect Fee	\$25,000 to \$50,000	As arranged	Before opening	Third party vendor
Operating Assets (4)	\$240,000 to \$340,000	As incurred	Before opening	Contractors and vendors
Signs	\$30,000 to \$40,000	As incurred	As suppliers require	Contractors and vendors
Cupcake ATM (5)	\$0 to \$80,000	As incurred	As supplier requires	Third party supplier
3 months' rent (7)	\$30,000 to \$60,000	As arranged	As landlord requires	Lessor
Security deposit (7)	\$5,000 to \$25,000	As arranged	As landlord requires	Lessor
Opening inventory and supplies (8)	\$40,000 to \$50,000	As arranged	As incurred	Suppliers
Grand opening marketing (9)	\$10,000 to \$15,000	As arranged	Before opening	Suppliers
Training expenses (10)	\$25,000 to \$50,000	As arranged	Before opening	Transportation lines, hotels, restaurants
Miscellaneous opening costs (11)	\$5,000 to \$10,000	As arranged	As incurred	Government authorities, utilities, and other third parties
Additional Funds – 3 months (12)	\$30,000 to \$50,000	As incurred	As incurred	Us and third parties

Column 1 Type of Expenditure (1)	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$880,000 to \$1,310,000			

Table 2: Pantry Bakery

Column 1 Type of Expenditure (1)	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Initial franchise fee (2)	\$40,000	Installments if you sign Development Rights Agreement, lump sum if not	Upon signing Development Rights Agreement/ Franchise Agreement	Us
Construction and leasehold improvements (3)	\$300,000 to \$450,000	Lump sum or progress payments	As needed	Contractors and vendors
Architect fee	\$25,000 to \$50,000	As incurred	Before opening	Third party vendor
Operating Assets (4)	\$210,000 to \$250,000	As incurred	Before opening	Contractors and vendors
Signs	\$20,000 to \$30,000	As incurred	As suppliers require	Contractors and vendors
Cupcake ATM (5)	\$0 to \$80,000	As incurred	As supplier requires	Third party supplier
Delivery vehicle (6)	\$0 to \$60,000	As arranged	Before opening	3rd parties
3 months' rent (7)	\$20,000 to \$50,000	As arranged	As landlord requires	Lessor
Security deposit (7)	\$5,000 to \$25,000	As arranged	As landlord requires	Lessor
Opening inventory and supplies (8)	\$35,000 to \$45,000	As arranged	As incurred	Suppliers
Grand opening marketing (9)	\$10,000 to \$15,000	As arranged	Before opening	Suppliers
Training expenses (10)	\$25,000 to \$50,000	As arranged	Before opening	Transportation lines, hotels, restaurants and us
Miscellaneous opening costs (11)	\$5,000 to \$10,000	As arranged	As incurred	Government authorities,

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure (1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
				utilities, and other third parties
Additional Funds – 3 months (12)	\$30,000 to \$60,000	As incurred	As incurred	Us and third parties
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$725,000 to \$1,215,000			

Explanatory Notes for Tables 1 and 2:

- (1) The amounts provided in Tables 1 and 2 reflect costs you will incur to develop either a Production Bakery or Pantry Bakery under the Franchise Agreement. Except for the security deposit under the Bakery’s lease, which is typically refundable if you comply with the lease terms, all fees and payments are non-refundable. We base the low and high ranges in Table 1 on an average size premises for a Production Bakery, which range from 1,400 to 2,000 square feet. We base the low and high ranges in Table 2 on an average size premises for a Pantry Bakery, which range from 600 to 1,200 square feet. The ranges in Tables 1 and 2 do not include optional, atypical upgrades to equipment or bakery design, such as seismic upgrades, demolition costs, signage that must conform to local codes, additional HVAC depending on climate, and items that local health inspectors require (such as sneeze guards and additional hand washing stations). The costs for rent, furniture, fixtures and equipment, leasehold improvements and inventory and supplies will vary based on the Bakery’s square footage, condition of the property, location, market conditions, financing costs, and other physical characteristics of your franchised location.
- (2) We describe the initial franchise fee in Item 5. The initial franchise fee is a \$40,000 lump sum payment if the Franchise Agreement is not covered by a Development Rights Agreement. If the Franchise Agreement is covered by a Development Rights Agreement, we will apply \$20,000 of the development fee towards the initial franchise fee, and you must pay the remaining \$20,000 when you sign the Franchise Agreement.
- (3) You will need to alter the Site’s interior space to meet our then current specifications and develop the Bakery. These figures cover the costs related to demolition, construction, remodeling, repair, insulation, doors and hardware, partition walls, ceilings, flooring, painting, decoration, acquisition and installation of fixtures, leasehold improvements and other fixed assets, cabinets, plumbing, HVAC, electrical, fire and security systems, decorating, and similar costs for an interior space in vanilla shell condition. An interior space in vanilla shell condition includes finished ceiling, electrical panel, storefront, prepped demised walls, HVAC, lighting fixtures, electrical outlets, and an installed telephone wiring/panel. The amounts will vary depending primarily on the Bakery’s size, location and condition, including whether the Site needs vanilla shell preparation and installation. Some landlords may pay some or all of your tenant

improvements as part of your lease negotiations. This estimate does not include construction of a building from the ground up.

- (4) These figures cover your other Operating Assets, except for the Cupcake ATM, signs and delivery van which are addressed separately in the tables. “**Operating Assets**” means the furniture, fixtures, vehicles, Computer System (defined below) components, equipment, furnishings, signs and smallwares that we periodically require for the Bakery. The “**Computer System**” means the computer-based, web-based application and/or other technological systems and services that we periodically specify, including hardware components, software, dedicated communication and power systems, printers, payment devices, and other computer-related accessories and peripheral equipment. Your costs for Operating Assets will vary primarily depending on the market in which the Bakery is located and whether you operate a Production Bakery or a Pantry Bakery.
- (5) Your Bakery must contain a Cupcake ATM unless applicable ordinances, building codes and/or any lease requirements prohibit it. The low end of the range assumes that applicable ordinances, building codes and/or any lease requirements prohibit you from having a Cupcake ATM.
- (6) If the Bakery is your first Pantry Bakery, you (or your affiliate) must purchase or lease a delivery van meeting our specifications before your Bakery opens for business. If this is your (or your affiliate’s) second or subsequent Pantry Bakery, we may require you to purchase or lease a delivery van meeting our specifications depending on the Bakery’s proximity to the Production Bakery and Pantry Bakery you (or your affiliate) already operate.
- (7) Rent amounts can vary depending upon the area in which the Site is located, its size, the condition of the premises, the landlord’s contribution to your leasehold improvements and other factors. You probably will also have to pay the landlord a first and last months’ rent deposit and possibly a lease security deposit when you sign the lease. You may choose to purchase, rather than rent, real estate on which a building suitable for the Bakery already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular parcel of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Bakery.
- (8) This figure includes costs for an initial supply of various Proprietary Mixes, cake mixes, cookie mixes, frosting, decorative icing and decals, food items, paper products, cleaning supplies and other supplies used in the operation of the Bakery, as well as other products that the Bakery sells, including retail items. These costs will vary according to the Bakery’s anticipated sales volume and current market prices for inventory and supplies.
- (9) You must conduct your grand opening marketing program according to our standards and specifications. You must spend at least \$10,000. You may choose to spend more

than \$10,000 on the Bakery's grand opening marketing. If we require, you must provide evidence to us of your approved program expenditures.

- (10) This range includes your personnel's estimated costs and expenses for lodging, transportation, and meals while they attend our Initial Training Program. We do not otherwise charge a fee for providing the Initial Training Program to 4 individuals associated with the Bakery or the pre-opening training team. As previously noted, additional members of the Bakery staff may participate in the Initial Training Program, but we may charge a fee for each additional participant. We currently charge \$2,500 for each additional staff member. If we determine that you or any of your personnel cannot complete the Initial Training Program to our satisfaction, then we may require you or your personnel to attend additional training programs at your expense for which we may charge fees (currently \$750 per week). Training fees are not refundable under any circumstance.
- (11) This range estimates costs for insurance, security deposits, utility deposits, business licenses, professional fees and other miscellaneous prepaid and opening expenses you may incur in developing the Bakery.
- (12) This amount estimates the funds needed to cover initial operating expenses for either a Production Bakery or Pantry Bakery, including Bakery management salaries, for a period of 3 months of operation (other than the items identified separately in the table). These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Your costs will depend on factors such as how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the Bakery's products; the prevailing wage rate; competition; and the sales level reached during the initial period.
- (13) We relied on our affiliates' and our principals' experience in developing, operating and franchising Sprinkles Cupcakes Bakeries since 2005 to prepare the estimate for additional funds and other estimates in this table. You should review these figures carefully with a business advisor before deciding to acquire the franchise. The estimate does not include any finance charge, interest, or debt service obligation. We do not offer financing for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and the lending policies of financial institutions from which you request a loan.

Development Rights Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Development fee (1)	\$40,000 to \$200,000	Lump sum	Upon signing Development Rights Agreement	Us
Additional Funds - 3 months (2)	\$500 to \$2,500	As incurred	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (3)	\$40,500 to \$202,500			

Explanatory Notes

- (1) The development fee is \$20,000 multiplied by the number of Bakeries to be developed within the Development Area. We expect Development Rights Agreements to cover between 2 and 10 Bakeries. We will apply \$20,000 of the development fee toward the initial franchise fee owed under each franchise agreement that the Development Rights Agreement covers.
- (2) This amount covers the costs needed to begin looking for sites in the Development Area and for business plan preparation and related expenses during the initial 3-month period after signing the Development Rights Agreement. There is no additional initial investment for training, real property, equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposits, business licenses or other prepaid expenses required under the Development Rights Agreement. You will incur costs for these and other expenses associated with developing and operating a Sprinkles Cupcakes Bakery under the Franchise Agreement.
- (3) We relied on our affiliates' and our principals' experience in developing, operating and franchising Sprinkles Cupcakes Bakeries since 2005 to prepare the estimate for additional funds and other estimates in this table. You should review these figures carefully with a business advisor before deciding to acquire development rights. No part of this initial investment is refundable.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

System Standards

In order to strive for a uniform image and uniform quality of products and services throughout Sprinkles Cupcakes Bakeries, you must operate and maintain the Bakery according to our System Standards. System Standards may regulate, among other things, the brands, types, and models of Operating Assets and other products and services you use to operate the Bakery; required or authorized products and services or product and service categories; ingredients (including Proprietary Mixes) and preparation methods for food and beverage products; and designated or approved suppliers of these items, which might include or be limited to us and/or our affiliates.

You must provide, and/or contract with others to provide, Delivery Service from the Bakery according to the Franchise Agreement and all applicable System Standards. You may not establish another outlet or property (other than the Site) for use in connection with Delivery Service and may not provide Delivery Service to customers at Non-Traditional Locations without our prior written consent.

We issue and modify our System Standards based on our, our affiliates' and our franchisees' experience in franchising and/or operating Sprinkles Cupcakes Bakeries. We will notify you in our Operations Manual or in other written communications of our System Standards and names of designated and approved suppliers. We also provide our relevant standards and specifications to approved suppliers. Currently, the purchases and leases that you must make from us or our affiliates, from approved suppliers, or according to our System Standards represent approximately 100% of your total purchases and leases in establishing, and approximately 100% of your total purchases and leases in operating, the Bakery.

Suppliers

You must purchase or lease all Operating Assets and other products and services for the Bakery according to the System Standards, and if we require, only from suppliers or distributors that we designate or approve, which may include or be limited to us or our affiliates. When determining whether to source-restrict a particular item or service that you must acquire, we take into account a variety of factors, including pricing, the quality and accessibility of products and/or services and the importance of uniform quality of products and services throughout Sprinkles Cupcakes Bakeries.

If the Bakery is a Production Bakery, then you must prepare all Proprietary Mixes at the Bakery in accordance with System Standards. You must purchase all components of the Proprietary Mixes only from the supplier(s) and/or distributor(s) whom we periodically designate, which may be us or our affiliate. The Bakery may not sell or transfer any Proprietary Mixes (or components of Proprietary Mixes) to any other person or entity, except to a Pantry Bakery that

you or your affiliate own and operate under a franchise agreement with us. You must comply with all System Standards relating to the preparation, packaging and delivery of Proprietary Mixes to that Pantry Bakery. If the Bakery is a Pantry Bakery, then you must acquire all Proprietary Mixes only from a Production Bakery that your or your affiliate own and operate under a franchise agreement with us.

Currently, neither we nor our affiliates are an approved supplier or the only approved supplier of any product or service that you use or sell at the Bakery. In the future, we may designate us and/or our affiliates as approved suppliers or the only approved supplier for certain products and services. We or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services that we or our affiliates provide to you and from promotional allowances, volume discounts and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate. Neither we nor our affiliates received any revenue from selling products or services to Sprinkles Cupcakes Bakery franchisees during 2022.

To maintain the quality of the goods and services that Sprinkles Cupcakes Bakeries use and sell and our network's reputation, you currently must use the development company, architect and/or other contractor whom we designate or approve to design and/or develop the Bakery, including for the design of the Bakery. You currently also must buy the Computer System, certain Proprietary Mixes and other ingredients, cake mixes, cookie mixes, frosting, decorative icing and decals, other food items, supplies, smallwares, largewares, and retail merchandise only from a designated or approved supplier. Our affiliate has contracted with a technology provider to provide franchisees a technology-based learning management system, and franchisees must participate in the arrangement with that provider. You must contract with a supplier we designate for the purchase and service of Cupcake ATMs. At our option, you must contract with one or more suppliers that we designate or approve to develop and/or implement Local Marketing. You can find the names of designated and approved suppliers, which we may periodically modify, in the Operations Manual or other written communications from us.

Except as described in this Item 8, there currently are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating the Bakery that you must purchase from us or designated or approved suppliers. None of our officers owns an interest in any current supplier to Sprinkles Cupcakes Bakery franchisees.

If you want to use any Operating Assets or other products (including new cupcake flavors or recipe formulations) or services for or at the Bakery that we have not yet evaluated, or purchase or lease any Operating Assets or other products or services from a supplier or distributor that we have not yet approved (for Operating Assets or other products and services that we require you to purchase only from designated or approved suppliers or distributors), you first must submit sufficient information, specifications and samples for us to determine whether the product or service complies with our standards and specifications and/or the supplier or distributor meets our criteria. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations,

customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria. We may inspect the proposed supplier's or distributor's facilities and require the proposed supplier or distributor to deliver product or other samples, at our option, either directly to us or to any independent laboratory that we designate for testing. For each supplier, distributor, or product you submit for our review, you must pay us a reasonable fee in the amount we periodically specify (currently \$1,500) to help cover inspection and evaluation costs. We will use commercially reasonable efforts to notify you of our approval or disapproval within 30 business days after receiving all information we require. We may periodically re-inspect the facilities, products and services of any approved supplier or distributor and, upon notice to franchisees and/or the supplier, revoke our approval of any supplier, distributor, product or service that does not continue to meet our criteria. Despite these rights, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including if we have already designated an exclusive source (which might be us or our affiliate) for the applicable product or service or if we believe that doing so is in the best interests of the Sprinkles Cupcakes Bakery network. The Operations Manual may provide additional detail on the manner in which we grant and revoke approval of suppliers.

Neither we nor our affiliates received any payments or other consideration from suppliers during 2022 based on franchisees' purchases from those suppliers. Although we have no arrangements in place with suppliers as of the date of this disclosure document, we expect to negotiate arrangements under which suppliers would pay us rebates ranging from 2% to 5% of invoice costs for certain equipment, ingredients and other products that franchisees buy from those suppliers.

We will not provide material benefits, like renewal or granting additional franchises, to franchisees based on their purchase of particular products or services or use of particular suppliers. We negotiate purchase arrangements with some suppliers, including price terms. In doing so, we seek to promote the overall interests of our franchise network and our interests as franchisor. There are no formal purchasing or distribution cooperatives in the Sprinkles Cupcakes Bakery franchise network.

Insurance

You must maintain in force at your sole expense the insurance coverage for the Bakery (including the Delivery Service) in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify for similarly situated Sprinkles Cupcakes Bakeries. All of your insurance carriers must be rated A or higher by A. M. Best and Company, Inc. or using similar criteria as we periodically specify. You must name us and an affiliate that we designate as additional insureds, and you must provide us with at least 30 days' notice of a material modification or cancellation of your insurance coverage.

As of the date of this Disclosure Document, we require the following types and minimum amounts of insurance:

- 1) Workers compensation insurance, statutory coverage, in the minimum amount of \$1,000,000 (subject to any higher state law minimum coverage requirements);

- 2) Automobile insurance in a minimum amount of \$5,000,000 total coverage, which amount may be combined between primary and excess policy;
- 3) General liability insurance in a minimum amount of \$5,000,000 total coverage, which amount may be combined between primary and excess policy; and
- 4) Property insurance, which must cover the physical building, personal property and business interruption, with business interruption insurance amounts to be sufficient to cover rent, additional expenses and royalties for up to 12 months.

Local Marketing

You must obtain our approval of the grand opening marketing plan for the Bakery. You also must at your expense participate in the manner we periodically specify in all advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs that we periodically designate for the Bakery. You must ensure that all of your Local Marketing is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Before using them, you must send to us, for our approval, descriptions and samples of all proposed Local Marketing that we have not prepared or previously approved within the previous 6 months. If you do not receive written notice of approval from us within 5 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any Local Marketing that we have not approved or have disapproved. At our option, you must contract with one or more suppliers that we designate or approve to develop and/or implement Local Marketing.

Bakery Upgrades

In addition to your obligations to maintain the Bakery according to System Standards, once during the Franchise Agreement's term, we may require you to substantially alter the Bakery's and the Site's appearance, branding, layout and/or design, and/or replace a material portion of your Operating Assets, in order to meet our then current requirements for new similarly situated Sprinkles Cupcakes Bakeries. This obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, the Bakery, and/or in your spending substantial amounts for new Operating Assets. You must incur any capital expenditures required to comply with this obligation and our requirements, but we may not require you to incur more than \$100,000 in out-of-pocket costs to comply with these obligations. Within 60 days after receiving written notice from us, you must have plans prepared according to the standards and specifications we specify and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify. In determining the time period, we will take into account a number of factors, including the expenses required, the availability of new products and services, and the disruption to bakery operations that the upgrade will require. However, this does not limit your obligation to comply with all mandatory System Standards we periodically specify.

Development Rights Agreement

Each site is subject to our acceptance. The site must meet our then current site selection standards. Otherwise, the Development Rights Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items to establish or operate the business under the Development Rights Agreement. However, you must follow our requirements under the Franchise Agreement for each Sprinkles Cupcakes Bakery you develop.

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.

	Obligations	Section in agreement	Disclosure document item
a.	Site selection and acquisition/lease	2.A, 2.B and 2.F of Franchise Agreement and 8 of Development Rights Agreement	7, 8, 11 and 12
b.	Pre-opening purchases/leases	2.B, 2.C, 2.D and 6 of Franchise Agreement	7, 8 and 11
c.	Site development and other pre-opening requirements	2 of Franchise Agreement	7, 8 and 11
d.	Initial and ongoing training	4 of Franchise Agreement	5, 6, 7 and 11
e.	Opening	2.E of Franchise Agreement	11
f.	Fees	4.E, 4.F, 5, 6.H, 7.B, 9, 13.E, 14.B, 16.A, 17.D and 18.C of Franchise Agreement and 4, 5, and 8 of Development Rights Agreement	5, 6, 7, 8 and 11
g.	Compliance with standards and policies/Operating Manual	4.F, 4.G, 6, 7.A, 7.C and 10.A of Franchise Agreement	6, 8 and 11
h.	Trademarks and proprietary information	10 and 11 of Franchise Agreement and 7 and 10 of Development Rights Agreement	13 and 14
i.	Restrictions on products/services offered	6.B, 6.C, 6.D and 6.I of Franchise Agreement	8, 11 and 16
j.	Warranty and customer service requirements	6 of Franchise Agreement	11 and 16
k.	Territorial development and sales quotas	2 of Franchise Agreement and 2, 5 and Exhibit A of Development Rights Agreement	8, 11 and 12

	Obligations	Section in agreement	Disclosure document item
l.	On-going product/service purchases	6 of Franchise Agreement	8, 11 and 16
m.	Maintenance, appearance and remodeling requirements	6.A and 6.I of Franchise Agreement	8 and 11
n.	Insurance	6.G of Franchise Agreement	6, 7 and 8
o.	Advertising	7 of Franchise Agreement	6, 7, 8 and 11
p.	Indemnification	10.E and 17.D of Franchise Agreement and 16 of Development Rights Agreement	6
q.	Owner's participation/ management/ staffing	1.C, 1.D and 4 of Franchise Agreement	11 and 15
r.	Records and reports	8 of Franchise Agreement	6 and 11
s.	Inspections and audits	2.C, 2.E, 4.F, 6.D and 8 of Franchise Agreement	6
t.	Transfer	13 of Franchise Agreement and 14 and 15 of Development Rights Agreement	6 and 17
u.	Renewal	14 of Franchise Agreement	6 and 17
v.	Post-termination obligations	16 of Franchise Agreement	6 and 17
w.	Non-competition covenants	12 and 16.D of Franchise Agreement and 10 of Development Rights Agreement	17
x.	Dispute resolution	18 of Franchise Agreement and 16 of Development Rights Agreement	17

Item 10

FINANCING

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

Item 11

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

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

If you sign the Development Rights Agreement, then before you begin operating your business under that agreement, we will:

(1) Determine the Development Area within which you will look for Sprinkles Cupcakes Bakery sites. (Development Rights Agreement – Section 2)

(2) Determine the number of Sprinkles Cupcakes Bakeries that you (or your Controlled Affiliates) must open in the Development Area under the Development Schedule attached to the Development Rights Agreement. (Development Rights Agreement – Section 2)

(3) Determine the Development Schedule and the deadlines by which you (or your Controlled Affiliate) must submit a complete site report for, sign a franchise agreement for, and open and begin operating, each Sprinkles Cupcakes Bakery to be developed under the Development Rights Agreement. (Development Rights Agreement – Section 5)

If you sign the Development Rights Agreement, then during your operation under that agreement, we will:

(1) Grant or deny requests for 90-day extensions of the site report deadline, Franchise Agreement signing deadline and/or bakery opening deadline on the Development Schedule. You must send us a \$2,500 extension fee with each request for an extension. If we grant the extension, the extension fee is non-refundable. If we deny the extension, we will refund the extension fee. (Development Rights Agreement – Section 5)

(2) We will visit up to 2 proposed sites for each Sprinkles Cupcakes Bakery at no cost to you. For each Sprinkles Cupcakes Bakery on the Development Schedule, if you request any of our personnel to make more than 2 visits to the Development Area to tour proposed or potential sites, and we agree, then you must pay us a \$1,000 fee for each additional visit (after the first 2 visits) to cover part of our costs and expenses. (Development Rights Agreement – Section 8)

(3) Accept sites for Sprinkles Cupcakes Bakeries in the Development Area that meet our then current requirements. We generally do not own sites and lease them to franchisees, lease sites and sublease them to franchisees, or select sites for franchisees. To propose a site for each Sprinkles Cupcakes Bakery you must deliver to us a complete site report and other materials and information we request for that site, and information we request relating to your (or your Controlled Affiliate's) financial and operational ability to develop and operate the proposed bakery. Each proposed site must meet our then current site selection criteria for Sprinkles Cupcakes Bakeries and be available for lease or purchase in time for you to develop and open a bakery on or before the date set forth in the Development Schedule. You must locate the Bakery only at a site we have accepted. The site must meet our then current site selection standards. We will not unreasonably withhold our acceptance of a site that meets our then current criteria for demographic characteristics; access, traffic patterns; parking; visibility; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. We also may consider the site's proximity both to the Development Area's boundaries and to other existing or potential sites for Sprinkles Cupcakes Bakeries located outside the Development Area and at Non-Traditional Locations within the Development Area. We will use our reasonable efforts to review and either accept or reject a site you propose within 15 business days after receiving the complete site report and other materials. If we have not accepted your (or your Controlled Affiliate's) proposed site for your first Bakery developed under the Development

Rights Agreement, the rights and obligations set forth in the Development Rights Agreement will govern the selection acceptance of that site. (Development Rights Agreement – Section 8)

(4) Determine whether each Bakery may be a Production Bakery or Pantry Bakery and grant you (or your Controlled Affiliate) franchises to operate these Sprinkles Cupcakes Bakeries at sites we accept in the Development Area. You (or your Controlled Affiliate) must sign our then current form of franchise agreement and any ancillary agreements for each Sprinkles Cupcakes Bakery developed under the Development Rights Agreement, the terms of which may differ substantially from the terms contained in the Franchise Agreement attached to this disclosure document. However, under each of those franchise agreements, the initial franchise fee is \$40,000, we will apply \$20,000 of the development fee toward that initial franchise fee, and the royalty is 5% of the Sprinkles Cupcakes Bakery's gross sales. Except for the first Sprinkles Cupcakes Bakery developed under the Development Rights Agreement, we will not sign a franchise agreement for any Sprinkles Cupcakes Bakery until we have accepted the site for that bakery. You (or your Controlled Affiliate) must sign a franchise agreement for a site before buying or signing a lease or sublease for that site. If you fail to meet the Development Schedule, we may terminate the Development Rights Agreement. (Development Rights Agreement – Sections 6 and 9)

Under the Franchise Agreement, before you open the Bakery, we will:

(1) Identify whether your Bakery will be a Production Bakery or a Pantry Bakery. You may develop a Pantry Bakery only if you (or your affiliate) own and operate a Production Bakery that we determine will have the ability and capacity to provide a Pantry Bakery with all of its requirements for Proprietary Mixes. (Franchise Agreement – Section 6.C)

(2) Accept a Site that meets our requirements. We describe our site selection process and your obligations above. Unless you are signing your first Franchise Agreement together with a Development Rights Agreement, we and you will not sign a Franchise Agreement until you have proposed and we have accepted the Site. (Franchise Agreement – Section 2.A)

(3) Accept a lease that meets our requirements. You must obtain our prior written acceptance of the terms of any lease or sublease for the Site before you sign it. The lease must contain the terms and provisions that are reasonably acceptable to us, including provisions to protect our rights as your franchisor. You must give us a copy of the fully-signed lease within 10 days after you and the landlord have signed it. You may not sign any renewal or amendment of the lease that we have not accepted. You must sign a lease that we have accepted, for a Site that we have accepted, within 45 days after the Franchise Agreement's effective date; otherwise we may terminate the Franchise Agreement. (Franchise Agreement – Section 2.B)

(4) Provide you mandatory and suggested written specifications and layouts for a Sprinkles Cupcakes Bakery, which might include an on-site Cupcake ATM and recommendations and/or requirements for dimensions, design, image, interior layout (including equipment placement), decor, Operating Assets, and color scheme. The Bakery must include an on-site Cupcake ATM, unless applicable ordinances, building codes and/or any lease requirements and restrictions prohibit it. “**Cupcake ATM**” means a location identified by the Marks from which customers may purchase cupcakes and other items prepared at the Bakery without interacting with any individual. A Cupcake ATM may be on-site (and attached to the Bakery) or off-site at a

location that is separate from the Bakery. The Bakery must contain all of the Operating Assets, and only the Operating Assets, that we periodically specify. At our option, you must use only the development company, architect and/or other contractor(s) that we periodically designate or approve to design and/or develop the Bakery. We do not provide any Operating Assets or other items for the Bakery's development directly or deliver or install items. We will provide the names of approved suppliers and/or specifications for some items.

You must prepare all required construction plans and specifications to suit the Site and make sure that they comply with the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. At our option, you must submit construction plans and specifications to us for approval before you begin constructing the Bakery and all revised or "as built" plans and specifications during construction. Our review is limited to ensuring your compliance with our design requirements and the Franchise Agreement's other requirements. Our review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with those laws and regulations is your responsibility. You must remedy, at your expense, any noncompliance or alleged noncompliance with those laws and regulations. We may periodically inspect the Site while you are developing the Bakery.

At your expense, you must construct, install trade dress and furnish all Operating Assets in, and otherwise develop, the Bakery at the Site according to our standards, specifications and directions. (Franchise Agreement – Section 2.C)

(5) Train you and your personnel to operate a Sprinkles Cupcakes Bakery. We describe this training later in this Item 11. (Franchise Agreement - Sections 4.A to 4.D)

(6) Provide you access to our Operations Manual for use in operating the Bakery during the Franchise Agreement's term. The Operations Manual might include written or intangible materials and we may make it available to you by various means. At our option, we may post the Operations Manual on the System Website (defined below) or another restricted website to which you will have access. If we do so, you must periodically monitor the website for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on such a website are part of our confidential information. The Operations Manual contains System Standards and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in System Standards. You must keep your copy of the Operations Manual current and communicate all updates to your employees in a timely manner. In addition, you must keep any paper copy of the Operations Manual you maintain in a secure location at the Bakery. If there is a dispute over its contents, our master copy of the Operations Manual controls. The contents of the Operations Manual are confidential, and you may not disclose the Operations Manual to any person other than Bakery employees who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual, except as we periodically authorize for training and operating purposes. Our Operations Manual has a total of 159 pages as of the date of this disclosure document and its table of contents is Exhibit D.

Any materials, guidance or assistance that we provide concerning the terms and conditions of employment for your employees, employee hiring, firing and discipline, and similar employment-related policies or procedures, whether in the Operations Manual or otherwise, are solely for your optional use. Those materials, guidance and assistance do not form part of the mandatory System Standards. You will determine to what extent, if any, these materials, guidance or assistance should apply to the Bakery's employees. You are solely responsible for determining the terms and conditions of employment for all Bakery employees, for all decisions concerning the hiring, firing and discipline of Bakery employees, and for all other aspects of the Bakery's labor relations and employment practices. (Franchise Agreement – Sections 4.G and 6.H)

(7) We may provide certain guest services for the Bakery, which may include the Ordering Systems, a back-of-house customer service center, and remote payment processing (as we may periodically modify them, collectively, the “**Guest Services**”) for which we may charge you reasonable fees. “**Ordering Systems**” means any customer ordering processes that we periodically specify in which all or certain Sprinkles Cupcakes Bakeries participate, including the Sprinkles Web Platform, call-center and app-based ordering processes, and any other program or system that we may periodically specify. We may periodically modify any Guest Services, the Sprinkles Web Platform and any Ordering Systems, including the services provided, and may periodically stop providing any or all Guest Services, Sprinkles Web Platform access or services, and Ordering Systems upon notice to you.(Franchise Agreement – Section 6.E)

(8) Assist with the development of your grand opening marketing program. We describe our marketing programs and assistance below in this Item 11. (Franchise Agreement – Section 7.A)

Under the Franchise, Agreement, during your operation of the Bakery, we will:

(1) Advise you periodically regarding the Bakery's operation based on your reports or our inspections. We will guide you on standards, specifications, operating procedures and methods that Sprinkles Cupcakes Bakeries use, including establishing menu item prices; purchasing required or recommended Operating Assets and other products; and administrative, bookkeeping and accounting procedures. We will guide you in our Operations Manual, in bulletins or other written materials, by electronic media, by telephone consultation, and/or at our office or the Bakery. If you request and we agree to provide additional or special guidance, assistance or training, you must pay our then applicable charges, including our personnel's per diem charges and any travel and living expenses. Any specific ongoing training, conventions, advice or assistance that we provide does not create an obligation to continue providing that specific training, convention, advice or assistance, all of which we may discontinue and modify at any time. (Franchise Agreement – Section 4.F)

(2) Provide updates to the Operations Manual and System Standards as we implement them. Our periodic modification of our System Standards (including to accommodate changes to the Computer System and the Marks), which may accommodate regional and/or local variations, may obligate you to invest additional capital in the Bakery and incur higher operating costs, and you must comply with those obligations within the time period we specify. Although we retain the right to establish and periodically modify the Franchise System and System Standards that you have agreed to follow, you retain the responsibility for the day-to-day management and operation

of the Bakery and implementing and maintaining System Standards at the Bakery. We may vary the Franchise System and/or System Standards for any Sprinkles Cupcakes Bakery or group of Sprinkles Cupcakes Bakeries based on the peculiarities of any conditions or factors that we consider important to its operations. You have no right to require us to grant you a similar variation or accommodation. (Franchise Agreement – Sections 4.G, 6.H and 6.I)

(3) Maintain and administer the Brand Fund (if we establish a Brand Fund) and the System Website. (Franchise Agreement – Section 7) We describe the Brand Fund and System Website below.

Bakery Opening

We estimate that the time between your signing the Franchise Agreement (which is when you will first pay us consideration for the franchise) and the Bakery's opening date is 12 to 18 months. The precise timing depends on the time it takes you to sign an accepted lease; the Site's location and condition; the work needed to develop the Bakery according to our System Standards; completing training; obtaining financing; obtaining insurance; and complying with local laws and regulations. You must open the Bakery on or before the opening deadline defined and listed in Exhibit A to the Franchise Agreement, or we may terminate the Franchise Agreement.

You may not open the Bakery until: (1) you have properly developed and equipped the Bakery according to our standards and specifications and in compliance with all applicable laws and regulations; (2) your personnel have completed all pre-opening training to our satisfaction; (3) you have paid all amounts you then owe to us and our affiliates; (4) you have given us evidence of required insurance coverage and payment premiums; (5) you have given us a copy of your fully-signed lease; and (6) if we (at our sole option) require, we have conducted a pre-opening inspection and/or have certified the Bakery for opening. Our determination that you have met all of our pre-opening requirements will not constitute a waiver of your non-compliance or of our right to demand full compliance with those requirements. (Franchise Agreement – Section 2.E)

Advertising, Marketing and Promotion

Grand Opening Marketing Program

You must, at your expense, implement a grand opening marketing program for the Bakery according to the requirements in the Operations Manual and other System Standards. At least 90 days before the Bakery's planned opening date, you must prepare and submit to us for our approval a proposed grand opening marketing program that covers a period before and after the opening date and contemplates spending at least \$10,000. You must implement the approved grand opening marketing program and, if we require, provide us with evidence of your approved program expenditures. (Franchise Agreement – Section 7.A)

Brand Fund

We plan to implement in 2023, and will administer and control, the Brand Fund for the advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials for all or a group of Sprinkles Cupcakes Bakeries that we periodically deem appropriate. You must pay us, via electronic funds transfer or another payment

method we specify and together with each payment of the Royalty, a contribution to the Brand Fund in an amount that we periodically specify (currently 2% of the Bakery's Gross Sales), subject to the Marketing Spending Requirement. We anticipate that all franchisees will contribute to the Brand Fund at the same rate. Each Sprinkles Cupcakes Bakery that we or our affiliate operates will contribute to the Brand Fund at either the same rate as you or a rate similar to the rate at which other Sprinkles Cupcakes Bakery franchisees contribute.

We have the right to designate and direct all programs that the Brand Fund finances, with sole control over the creative and business concepts, materials and endorsements used and their geographic, market and media placement and allocation. The Brand Fund may pay for preparing, producing and placing video, audio and written materials, electronic media and Social Media (defined below); developing, maintaining and administering one or more System Websites, including the Sprinkles Web Platform, online sales and customer retention programs, mobile applications, and other technologies used to reach customers and potential customers; developing, maintaining, and administering the Guest Services; administering national, regional, multi-regional and local marketing, advertising, promotional and customer relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public and customer relations, market research, and other advertising, promotion, marketing and brand-related activities. The Brand Fund may place advertising or other programs in any media, including print, radio, and television, on a local, regional or national basis. Our in-house staff, national or regional advertising agencies, and/or other contractors may produce advertising, marketing, promotional and other Brand Fund programs and materials. The Brand Fund also may reimburse Sprinkles Cupcakes Bakery operators (including us and/or our affiliates) for expenditures consistent with the Brand Fund's purposes that we periodically specify. We also may implement programs that the Brand Fund could finance, but choose to finance them through other means, such as through your and other Sprinkles Cupcakes Bakery operators' direct payments.

We will account for the Brand Fund separately from our other funds and not use the Brand Fund to pay any of our general operating expenses, except to compensate us and our affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs we and they incur relating to activities performed for the Brand Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the System Website and/or Social Media, developing technologies to be used by the Brand Fund or its programs, collecting and accounting for Brand Fund contributions, and paying taxes on contributions. We will not use any Brand Fund contributions principally to solicit new franchise sales, although part of the System Website is devoted to franchise sales. The Brand Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified here.

The Brand Fund did not operate during 2022, so we have no historical information about its expenditures. When we establish a Brand Fund, we will prepare an annual, unaudited statement of Brand Fund collections and expenses and give you the statement upon written request. While we do not intend for the Brand Fund to be audited, we may have the Brand Fund audited periodically at the Brand Fund's expense by an independent accountant we select.

We intend the Brand Fund to maximize recognition of the Marks and patronage of Sprinkles Cupcakes Bakeries. Although we will try to use the Brand Fund to develop and/or implement advertising and marketing materials and programs and for other uses (consistent with those listed in this Item 11) that will benefit all or certain contributing Sprinkles Cupcakes Bakeries, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Brand Fund contributions from Sprinkles Cupcakes Bakeries operating in that geographic area, or that any Sprinkles Cupcakes Bakery benefits directly or in proportion to the Brand Fund contributions that it makes. We have no obligation to make any advertising expenditures (from the Brand Fund or otherwise) in your geographic area. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect Brand Fund contributions. We also may forgive, waive, settle and compromise all claims by or against the Brand Fund. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you for maintaining, directing or administering the Brand Fund.

At any time, we may defer or reduce a Sprinkles Cupcakes Bakery operator's contributions to the Brand Fund. Upon at least 30 days' written notice to you, we may reduce or suspend Brand Fund contributions and/or operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will (at our option) either spend the remaining Brand Fund assets consistent with the provisions of this Item 11 or distribute the unspent assets to Sprinkles Cupcakes Bakery operators (including us and our affiliates, if applicable) then contributing to the Brand Fund in proportion to their contributions during the previous 12-month period. There currently are no advertising councils of franchisees that advise us on advertising policies in the Sprinkles Cupcakes Bakery network. (Franchise Agreement – Sections 7.B and 7.D)

Local Marketing

You must at your expense participate in the manner we periodically specify in all advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs that we periodically designate for the Bakery, subject to the Marketing Spending Requirement. You must ensure that all Local Marketing is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Before using them, you must send to us, for our approval, descriptions and samples of all proposed Local Marketing that we have not prepared or previously approved within the previous 6 months. If you do not receive written notice of approval from us within 5 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any Local Marketing that we have not approved or have disapproved. At our option, you must contract with one or more suppliers that we designate or approve to develop and/or implement Local Marketing.

Our System Standards may regulate sales, marketing, advertising, promotions and public relations programs and materials for the Bakery and media uses in these programs, including participation in and compliance with the requirements of any special advertising, marketing, promotion, charitable and public relations programs in which all or certain Sprinkles Cupcakes Bakeries participate. This includes standards for participating in charitable and public relations programs, as we periodically modify them. (Franchise Agreement – Sections 6.H, 7.C and 7.D)

Advertising Cooperatives

Currently, there are no local or regional advertising cooperatives in the Sprinkles Cupcakes Bakery network. However, we may designate a geographic area (typically a Designated Market Area defined by Nielsen Company) in which two or more Sprinkles Cupcakes Bakeries are located as an area for an advertising or marketing cooperative (a “**Cooperative**”). The Cooperative’s members in any area are the owners of all of the Sprinkles Bakeries located and operating in that area (including us and our affiliates, if applicable) that we have the right to require to participate in the Cooperative. Each member will contribute at the same rate. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative will, with our approval, develop, administer or implement advertising, marketing and promotional materials and programs for the area that the Cooperative covers. If we have established a Cooperative for the geographic area in which the Bakery is located on the date you sign the Franchise Agreement, or if we establish a Cooperative in that area during the Franchise Agreement’s term, you must sign the documents that we require to become a member of the Cooperative and to participate in the Cooperative as those documents require. Cooperatives will operate from written governing documents that members may review. You must contribute to the Cooperative the amounts that the Cooperative determines, subject to our approval and the Marketing Spending Requirement.

All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of more than 50% of all Sprinkles Bakeries that are required to participate in the Cooperative, with each Sprinkles Bakery receiving one vote. You must send us any reports that we or the Cooperative periodically require. Cooperatives will prepare annual or periodic financial statements and make them available for us and the Cooperative’s members to review. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials that we have not approved. We may form, change, dissolve and merge Cooperatives. (Franchise Agreement – Section 7.D).

Marketing Spending Requirement

The Marketing Spending Requirement is the maximum amount that we can require you to spend on Brand Fund contributions, Cooperative contributions, and approved Local Marketing for the Bakery during each calendar quarter, and is an amount we periodically specify up to 5% of the Bakery’s Gross Sales during that calendar quarter. Although we may not require you to spend more than the Marketing Spending Requirement on Brand Fund contributions, Cooperative contributions and approved Local Marketing, you may choose to do so. We will not count towards your Marketing Spending Requirement the cost of free or discounted products or services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel

salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgement, deem inappropriate for meeting the Marketing Spending Requirement. (Franchise Agreement – Section 7.E)

System Website

We or our designees may establish a website or series of websites or similar technologies, including mobile applications and other technological advances that perform functions similar to those performed on traditional websites, for the Sprinkles Cupcakes Bakery network to advertise, market and promote Sprinkles Cupcakes Bakeries, the products and services they offer, and the Sprinkles Cupcakes Bakery franchise opportunity; to facilitate the operations of Sprinkles Cupcakes Bakeries (including, at our option, online ordering and/or sales); and/or for any other purposes that we determine are appropriate for Sprinkles Cupcakes Bakeries (those websites, applications and other technological advances are collectively called the “**System Website**”). If we include information about the Bakery on the System Website, then you must give us the information and materials that we periodically request concerning the Bakery and participate in the System Website in the manner that we periodically specify. We have the final decision concerning all information and functionality that appears on the System Website and will update or modify the System Website according to a schedule that we determine. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights. You must notify us whenever any information about you or the Bakery on the System Website changes or is not accurate.

We own all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website and all subsidiary websites, the log of “hits” by visitors, and any personal or business data that visitors (including you, your personnel and your customers) supply. We may use the Brand Fund’s assets to develop, maintain, support and update the System Website. We may implement and periodically modify System Standards relating to the System Website and, at our option, may discontinue all or any part of the System Website, or any services offered through the System Website, at any time.

All Local Marketing that you develop for the Bakery must contain notices of the System Website in the manner that we periodically designate. You may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes you, the Bakery or its products or services or that displays any of the Marks. Except for the System Website (if applicable), you may not conduct commerce or offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without our approval. Nothing in the Franchise Agreement limits our right to maintain websites and technologies other than the System Website or to offer and sell products or services under the Marks from the System Website, another website or technology, or otherwise over the Internet (including to the Bakery’s customers and prospective customers) without payment or obligation of any kind to you. (Franchise Agreement – Section 7.F)

Social Media

You must comply with our policies and requirements, which we may periodically modify, concerning blogs, common social networks like Facebook, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, “**Social Media**”) that in any way reference the Marks or involve the Bakery. These policies may involve prohibitions on your and your representatives’ use of Social Media relating to the Marks or the Bakery. (Franchise Agreement – Section 7.G)

Computer System

You must obtain and use the Computer System in operating the Bakery. We may periodically modify the specifications for and components of, and/or the technologies and functions for the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or license new or modified computer hardware, software, and other components and technologies and to obtain service and support for the Computer System. No contract limits the frequency or cost of this obligation. While we cannot estimate the future costs of the Computer System or required service or support at this time, you must incur any costs associated obtaining, updating, adding to, or modifying the Computer System and required service or support. You must obtain Computer System components that we designate and ensure that your Computer System functions properly within 60 days after we deliver notice to you.

You will use the Computer System to operate the Bakery’s point-of-sale system and back-of-house functions like inventory management, production schedules and labor scheduling. The Computer System will generate and store sales, inventory, pricing, menu mix, cost information and other operations-related data. It will cost approximately \$10,000 to \$30,000 to acquire the Computer System hardware and obtain initial licenses for the required software for the Bakery, including \$3,500 for Micros point-of-sale system software. These costs may vary depending on the number of terminals the Bakery needs. You currently must pay approximately \$610 per year for required hardware, software, printer support contracts with third parties. If you have an on-site Cupcake ATM you must contract with our designated vendor for ongoing service and support, which we expect to cost from \$5,000 to \$35,000 per year. Otherwise neither we, our affiliate, or any third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to the Computer System. Because of varying system needs and market conditions, we are unable to estimate the cost of other optional maintenance, updating, upgrading or support contracts for the Computer System. You currently must pay us \$300 per month for the Sprinkles Web Platform, but this cost could increase if our costs increase.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the System Website), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate’s) and your respective rights and responsibilities concerning, the software or technology. We and our affiliates may charge you up-front and

ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you in the future and for other Computer System maintenance and support services provided during the term of the Franchise Agreement.

We will have independent, unlimited access to all information and data in your Computer System, including continuous independent access to all Customer Data (defined in Item 14). Apart from your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. The Computer System permits 24 hours per day, 7 days per week electronic communications between you and us. (Franchise Agreement – Section 2.D)

Training

Our current training program that we provide to new franchisees after signing the Franchise Agreement and before opening the Sprinkles Cupcakes Bakery includes our formal Initial Training Program, our on-site pre-opening training team, and our learning management system for online training. We also provide training to become a Certified Training Bakery. Deanna Preece, our Director of Training who has over 21 years' of experience as a training leader in areas including creation, design, reporting and analytics, and Lisa Miller, our Vice President of Human Resources who has over 16 years' of experience as a training leader, manage the training program. Both Ms. Preece and Ms. Miller joined us in 2019. The Operations Manual and various training guides serves as instructional materials.

Initial Training Program

Your Managing Owner, General Manager, and 2 assistant managers must attend the Initial Training Program and complete the program to our satisfaction before opening the Bakery. However, if the Managing Owner has attended and completed the Initial Training Program to our satisfaction under an existing franchise agreement with us, we will not require the Managing Owner to attend the Initial Training Program. The Initial Training Program may include classroom training, instruction at designated facilities, hands-on training at an operating Sprinkles Cupcakes Bakery, remote training (including via Internet access) and/or self-study programs. We do not charge any fees for these people to attend the Initial Training Program, but you must pay for training materials and all travel, living and other expenses that you and your personnel incur during the program. If we decide that you or your personnel cannot complete the Initial Training Program to our satisfaction, we may require you or your personnel to attend additional training programs are you expense and for which we may charge reasonable fees. You also may choose to send additional people to the Initial Training Program (subject to space availability) if you pay \$2,500 per person.

We conduct the Initial Training Program at one of our affiliate's Sprinkles Cupcakes Bakeries as often as needed to train new franchisees during the months of March to January. There is no set frequency for the program. The following table describes our current Initial Training Program:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The- Job Training	Column 4 Location
Sprinkles History and Culture	2	2	Certified Training Bakery
FOH Operations	6	40	Certified Training Bakery
Production	6	30	Certified Training Bakery
BOH Operations	9	60	Certified Training Bakery
Shift Management	10	120	Certified Training Bakery
GM Responsibilities	5	70	Certified Training Bakery
Total	38	322	

The Initial Training Program may take place at Certified Training Bakeries in various locations. However, we currently expect the Initial Training Program to take place at the Certified Training Bakery in Dallas, Texas.

Pre-Opening Training Team

If on the Bakery’s opening date the Bakery is one of the first 2 Sprinkles Cupcakes Bakeries that you and your affiliates then operate, we will send a training team of 4 individuals whom we choose for 3 weeks, beginning 2 weeks before the opening date and continuing 1 week after the opening date to assist with training on brand standard issues. We in our sole judgement will determine the individuals that comprise the training team. We do not charge any fees for the pre-opening training team. The trainer(s) will generally train the Bakery staff with various aspects of day-to-day operations, including kitchen and front-of-house operations. There are no specific subjects or durations of the training that the pre-opening training team provides. Bakery staff need not complete specific tasks to our satisfaction.

Certified Training Bakery

Within 180 days after the Bakery’s opening date, you must complete (or have your affiliate complete) to our satisfaction the necessary brand standards training, attain the minimum benchmarks, and complete the other tasks that we then specify in order for us to designate one of your (or your affiliate’s) Production Bakeries as a “**Certified Training Bakery**,” and the General Manager or another of your or your affiliate’s employees of the Certified Training Bakery whom you choose as the “**Certified Training Manager**.” There are no specific subjects or durations of training to attain Certified Training Bakery and Certified Training Manager status. The training is typically conducted at another certified training bakery near the Bakery. We do not charge any separate fees for this training. Once you (or your affiliate) have attained these certifications, if the

Certified Training Bakery loses that certification or otherwise fails to meet our minimum benchmarks to retain that certification, or if the Certified Training Manager's employment at the Certified Training Bakery ends or the Certified Training Manager otherwise loses that certification, then within 60 days, you must complete (or cause our affiliate to complete) the tasks necessary to once again have one of your or your affiliate's Sprinkles Cupcakes Bakeries designated as a Certified Training Bakery and for one of that Bakery's personnel to be designated as the Certified Training Manager. The Certified Training Manager and the General Manager are responsible for properly training all other personnel at your (and, if applicable, your affiliates') Sprinkles Cupcakes Bakeries.

Ongoing Training

During the Franchise Agreement's term, we may require you and/or your personnel, including your Managing Owner and General Manager, to attend and satisfactorily complete various training courses and programs and evaluation programs, including online training, that we choose to provide periodically at the times and locations we designate. Your personnel whom we periodically specify also must attend any conventions or other programs that we periodically specify for some or all Sprinkles Cupcakes Bakeries. We may charge reasonable fees for these training courses, programs and conventions. We currently have no planned ongoing or optional training programs. If you request and we agree to provide additional or special guidance, assistance, or training, you must pay us then applicable charges, including per diem charges and any travel and living expenses for our personnel. Any specific ongoing training, conventions, advice or assistance that we provide does not create an obligation to continue providing that specific training, convention, advice or assistance, all of which we may discontinue and modify at any time. (Franchise Agreement – Sections 4.A to 4.E)

Item 12

TERRITORY

Franchise Agreement

You will operate the Bakery at a specific Site that we first must accept. If your lease expires or is terminated without your fault, or if the Bakery is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the Bakery to a new site acceptable to us. You will relocate at your expense and must comply with the Franchise Agreement's provisions relating to development of the new location and de-identification of the old location. You must reimburse us for our reasonable costs incurred in the relocation.

We will define your "**Territory**" in an Exhibit to the Franchise Agreement before we and you sign it. We typically determine Territories using geographic boundaries, such as counties, cities, zip codes, or city blocks. Your Territory may be as small as a few blocks or as large as an entire state. The size of your Territory will depend on various market characteristics such as demographics, traffic flow, boundaries (both man-made and natural), location of competing businesses, neighborhoods covered and population density.

If you are complying with the Franchise Agreement, neither we nor our affiliates will operate, or authorize any other party to operate, a Sprinkles Cupcakes Bakery (whether a Production Bakery or a Pantry Bakery) the physical premises of which are located within your Territory, except for Sprinkles Cupcakes Bakeries located at Non-Traditional Locations. “**Non-Traditional Locations**” means locations that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, industrial or office facilities, food courts, hotels, college and university buildings, airports, train stations, travel plazas, toll roads, casinos, hospitals and other medical centers, amusement parks, and stadiums and other sports and entertainment venues. We may operate and authorize others to operate Sprinkles Cupcakes Bakeries at Non-Traditional Locations in the Territory and at other locations in the Territory if you breach the Franchise Agreement. Therefore, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

At all times, we and our affiliates have the right to engage in any activities we or they deem appropriate that the Franchise Agreement does not expressly prohibit, whenever and wherever we or they desire. This includes:

- (a) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, Sprinkles Cupcakes Bakeries at any locations outside the Territory and Sprinkles Cupcakes Bakeries at any Non-Traditional Locations within or outside the Territory;
- (b) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, bakeries or any similar or dissimilar businesses that either are not primarily identified by the Marks or do not use the Franchise System at any locations, whether within or outside the Territory;
- (c) all rights relating to the Marks, and all products and services associated with any of the Marks, in any methods of distribution, except as specifically set forth above. This includes providing, and granting rights to others to provide (except as specifically set forth above), cupcakes and other products and services to customers and other third parties that are similar or dissimilar to, or competitive with, any products and services that Sprinkles Cupcakes Bakeries provide, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution (including through the System Website, other retail outlets, shipping and delivery, and Cupcake ATMs or similar product distribution devices), and at any locations; and
- (d) acquiring the assets or ownership interests of, or being acquired (regardless of the form of transaction) by, a one or more businesses providing products and services similar or dissimilar to those provided at Sprinkles Cupcakes Bakeries, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Territory.

There are no restrictions on your soliciting and accepting customers from outside your Territory or otherwise competing with other Sprinkles Cupcakes Bakeries which are now, or in

the future may be, located outside your Territory. We will determine, and may periodically modify, the geographic area within which you will offer Delivery Service, but you will not receive any exclusive, protected or other territorial rights for deliveries in that geographic area. You must ensure your customers receive high quality products prepared and maintained according to the System Standards. Except for providing Delivery Services, you may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to make sales (as opposed to advertising and marketing). We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to solicit and make sales to customers in your Territory using the Marks and other trademarks without compensating you.

Under the Franchise Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises within your Territory or contiguous territories. Upon the occurrence of any event that allows us to terminate your Franchise Agreement, in addition to our other rights, we may eliminate your rights, and our (and our affiliates') obligations, in your Territory, after which we may operate, and authorize other parties to operate, a Sprinkles Cupcakes Bakery within the Territory. Otherwise we may not alter your Territory or modify your territorial rights before your Franchise Agreement expires or is terminated, although we may do so for a successor franchise. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that Sprinkles Cupcakes Bakeries offer, although we and they have the right to do so.

Development Rights Agreement

If we and you sign a Development Rights Agreement, we and you will identify the Development Area within which you and your Controlled Affiliates will develop Sprinkles Cupcakes Bakeries in an exhibit to the Development Rights Agreement before signing it. We typically determine development areas using Designated Market Areas (DMAs), by city, county, state, or other political boundaries, or by geographic boundaries. The Development Area's size will vary depending on the number of Sprinkles Cupcakes Bakeries in the Development Schedule. We expect the minimum size for a Development Area to be a city.

We and you will agree on the number of Sprinkles Cupcakes Bakeries that you or your Controlled Affiliates must open, and the dates by which you and they must open them, to keep your territorial rights and insert this information in the Development Rights Agreement before signing it. Franchises that we grant to your Controlled Affiliates will count toward your Development Schedule. You and your Controlled Affiliates may not develop Sprinkles Cupcakes Bakeries outside the Development Area.

If you are complying with the Development Rights Agreement, and you and your affiliates are complying with all Franchise Agreements and other agreements between us (or our affiliate) and you (or your affiliates), then, during the Development Rights Agreement's term only, neither we nor our affiliates will operate, or authorize any other party to operate, Sprinkles Cupcakes Bakeries the physical premises of which are located within the Development Area, except for Sprinkles Cupcakes Bakeries located at Non-Traditional Locations. We and our affiliates may at all times engage in any activities we or they deem appropriate that the Development Rights

Agreement does not expressly prohibit, whenever and wherever we or they desire, including those rights listed in (a) through (d) above. Because we may operate and authorize others to operate Sprinkles Cupcakes Bakeries at Non-Traditional Locations in the Development Area, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

To maintain your rights under the Development Rights Agreement, for each Sprinkles Cupcakes Bakery, you must submit a site report, sign a Franchise Agreement and open and begin operating that Bakery according to the applicable Franchise Agreement on or before the deadlines listed in the Development Schedule. The site for each Sprinkles Cupcakes Bakery must meet our then current site selection standards. If you need a 90-day extension, you must submit a written request and a \$2,500 extension fee to us before the applicable deadline. If you fail to meet the Development Schedule, we may terminate the Development Rights Agreement. In addition, to retain your rights under the Development Rights Agreement, each Sprinkles Cupcakes Bakery it covers must operate continuously during the agreement's term, otherwise we may terminate the Development Rights Agreement.

Upon the occurrence of any event that allows us to terminate your Development Rights Agreement, in addition to our other rights, we may:

(1) temporarily suspend or permanently terminate your right to develop new Sprinkles Cupcakes Bakeries in any geographic area that is part of the Development Area. If that occurs (i) your territorial rights and the territorial restrictions on us and our affiliates will no longer apply in that geographic area, and (ii) we (and our affiliates) may operate, and authorize any other parties to operate, Sprinkles Cupcakes Bakeries the physical premises of which are located within that geographic area and engage, and allow others to engage, in any other activities we desire within that geographic area without any restrictions, subject only to your (or your Controlled Affiliate's) rights under then existing franchise agreements; and/or


(2) reduce the number of remaining Sprinkles Cupcakes Bakeries to be developed under the Development Schedule, and if that happens you must comply with the reduced Development Schedule that we provide in our written notice. Upon our exercise of these rights, we need not refund any portion of the development fee paid relating to the Sprinkles Cupcakes Bakeries that you are no longer permitted or required to develop, nor apply any of that portion of the development fee towards the initial franchise fee payable under franchise agreements that you (or your Controlled Affiliate) signs after that.

Except for these situations, continuation of your territorial rights in the Development Area does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Development Area or modify your territorial rights in the Development Area. You have no other options, rights of first refusal or similar rights to acquire additional franchises. When the Development Rights Agreement terminates or expires, we (and our affiliates) may operate, and authorize any other parties to operate, Sprinkles Cupcakes Bakeries the physical premises of which are located within the Development Area and engage, and allow others to engage, in any other activities we desire within and outside the Development Area without any restrictions, subject only to your (or your Controlled Affiliates') rights under existing franchise agreements with us.

Item 13

TRADEMARKS

We grant you the non-exclusive right under the Franchise Agreement to use and display the Marks in operating, marketing, and advertising the Bakery. Our affiliate registered certain of the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the “PTO”):

Mark	Registration Number	Date Registered	Affidavits Filed?	Registration Renewed?
SPRINKLES CUPCAKES	4490529	March 4, 2014	Yes	Not Due
SPRINKLES CUPCAKES	3250609	June 12, 2007	Yes	Yes
	3271643	July 31, 2007	Yes	Yes
SPRINKLES CUPCAKES	3849383	September 21, 2010	Yes	Yes
SPRINKLES CUPCAKES	3849382	September 21, 2010	Yes	Yes
SPRINKLES	4421764	October 22, 2013	Yes	Yes
SPRINKLES	3306772	October 9, 2007	Yes	Yes
SPRINKLES	4827224	October 6, 2015	Yes	Not Due

Sprinkles Cupcakes, LLC (our “**Licensor**”) has licensed us the right to use the Marks and to sublicense the use of the Marks to you and other franchisees for the operation of Sprinkles Cupcakes Bakeries under a license agreement dated December 7, 2020 (the “**Trademark License Agreement**”). The Trademark License Agreement’s term is 20 years and automatically renews on a year-to-year basis. We or our Licensor may terminate the Trademark License Agreement on 30 days’ notice. If the Trademark License Agreement terminates, we must cease all use of the Marks. The Trademark License Agreement contains no other limitations. No other agreement significantly limits our rights to use or license the use of the Marks in a manner material to the franchise.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, any state trademark administrator, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You must follow our rules and System Standards when using the Marks. You must notify us immediately of any actual or apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in any Mark. You may not communicate with any person other than us, our attorneys, our Licensor and its attorneys, and your attorneys, regarding any infringement, challenge or claim. We or our Licensor may take the action that we or it deems appropriate (including no action) and control exclusively any litigation, PTO proceeding or other proceeding relating to any infringement, challenge or claim or otherwise concerning any Mark. You must sign any documents and take any reasonable actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our and our Licensor's interests in any litigation or PTO or other proceeding or otherwise to protect and maintain our and our Licensor's interests in the Marks. At our option, we or our Licensor may defend and control the defense of any litigation or proceeding relating to any Mark.

We will reimburse you for all damages and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark, but only if your use is consistent with the Franchise Agreement, the Operations Manual and System Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding.

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs you incur in changing the Bakery's signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

The Development Rights Agreement does not grant you any rights to use the Marks. You derive the right to use the Marks only under a franchise agreement.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We claim copyrights in the Operations Manual, advertising, training and promotional materials, and similar items used in operating the Bakery. We have not registered these copyrights with the U.S. Registrar of Copyrights but need not do so at this time to protect them. You may use these materials only as we specify while operating the Bakery and must modify or discontinue using them as we direct.

There currently are no effective determinations of the PTO, United States Copyright Office or any court regarding any of the copyrighted materials. No agreement limits our right to use or

license the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your using the copyrighted materials. We need not protect or defend copyrights or take any action if notified of infringement, and you have no obligation to notify us of any infringement. We may take the action we deem appropriate (including no action) and exclusively control any proceeding involving the copyrights. No agreement requires us to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or claims arising from your use of copyrighted items.

We will disclose certain Confidential Information to you during the Franchise Agreement's term. "**Confidential Information**" includes development plans for Sprinkles Cupcakes Bakeries; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Sprinkles Cupcakes Bakeries, including recipes, food preparation techniques, and formulas for proprietary frosting and cupcake mixes; the terms of any Distribution Arrangements (defined in Item 16); marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Sprinkles Cupcakes Bakeries; knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets and other products that Sprinkles Cupcakes Bakeries use and/or sell; knowledge of the operating results and financial performance of Sprinkles Cupcakes Bakeries other than the Bakery; customer communication and retention programs, along with data used or generated in connection with those programs, including Customer Data; and any other information we reasonably designate as confidential or proprietary. However, Confidential Information does not include information, knowledge or know-how that is or becomes generally known in the bakery industry (without violating an obligation to us or our affiliate) or that you knew from previous business experience before we provided it to you or before you began training or operating the Bakery. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that this exclusion is fulfilled.

The Confidential Information is proprietary and includes our trade secrets. You and your owners (a) may not use any Confidential Information in any other business or capacity, whether during or after the Franchise Agreement's term; (b) must keep the Confidential Information absolutely confidential, both during the Franchise Agreement's term and after for as long as the information is not in the public domain; (c) may not make unauthorized copies of any Confidential Information disclosed in written or other tangible or intangible form; (d) must adopt and implement all reasonable procedures that we periodically designate to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Bakery personnel and others needing to know the Confidential Information to operate the Bakery, and using confidentiality agreements with those having access to Confidential Information. We may regulate the form of agreement that you use and be a third party beneficiary of that agreement with independent enforcement rights; and (e) may not sell, trade or otherwise profit in any way from the Confidential Information, except during the Franchise Agreement's term using methods we approve.

You must comply with our System Standards, other directions from us, prevailing industry standards (including payment card industry data security standards), all contracts to which you are a party or otherwise bound, and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on your Computer System or in your possession or

control. You also must employ reasonable means to safeguard the confidentiality and security of Customer Data. “**Customer Data**” means names, contact information, financial information, ordering history and other personal information of or relating to the Bakery’s customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Data (“**Data Security Incident**”), you must notify us immediately after becoming aware of it and specify the extent to which Customer Data was compromised or disclosed. You must comply with our instructions in responding to any Data Security Incident. We have the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at your expense.

We and our affiliates may, through the Computer System or other means, have access to Customer Data. During and after the Franchise Agreement’s term, we and our affiliates may make all disclosures and use the Customer Data in our and their business activities and in any manner that we or they deem necessary or appropriate. You must secure from your vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to us and our affiliates and for us and our affiliates to use that Customer Data in the manner that the Franchise Agreement contemplates.

You must promptly disclose to us all ideas, concepts, techniques or materials relating to a Sprinkles Cupcakes Bakery that you or your owners, employees or contractors create (collectively, “**Innovations**”). Innovations are our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. If any Innovation does not qualify as a work made-for-hire for us, you assign ownership of that Innovation, and all related rights to that Innovation, to us and must sign (and cause your owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person for any Innovations. You may not use any Innovation in operating the Bakery or in any other way without our prior approval.

The Development Rights Agreement does not grant you any right to use our copyrighted materials or Confidential Information. You derive the right to use these items only under a franchise agreement with us.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

Only you are authorized to operate the Bakery. You must operate the Bakery for the Franchise Agreement’s entire term and at all times faithfully, honestly and diligently perform your obligations and fully exploit the rights granted under the Franchise Agreement.

If you are an entity, an individual whom we approve (the “**Managing Owner**”) must at all times during the term of the Franchise Agreement: (a) own more than 50% of the ownership

interests in you; (b) have the authority under your governing documents to authorize a merger, liquidation, dissolution or transfer of substantially all of your assets and otherwise direct and control your management and policies without the vote or consent of any other person or entity; and (c) devote sufficient time and attention to the operation, promotion and enhancement of your business. The Franchise Agreement does not require the Managing Owner to participate personally in the direct, on-premises operation of the Bakery, but we recommend that he or she do so.

You must also designate an individual as your General Manager. The “**General Manager**” whom we approve will serve as the Bakery’s general manager and devote all of his or her business time and attention to the on-premises management and operation of the Bakery. The General Manager need not have any ownership interest in the Bakery or in you, but must have the authority over all day-to-day business decisions for you and the Bakery. The Managing Owner and General Manager must complete the Initial Training Program to our satisfaction. If the General Manager fails to serve in this capacity, you must designate a replacement, whom we approve, and ensure that he or she satisfactorily completes the training that we then require, within 60 days.

The Managing Owner and each owner who owns more than 25% of the ownership interests in you must sign a guaranty promising to be personally bound, jointly and severally, by all of Franchise Agreement’s provisions and any ancillary agreements between you and us. The General Manager and each owner who owns 25% or less of the ownership interests in you must sign a key personnel agreement promising to be bound, jointly and severally, by the confidentiality, non-compete and transfer restrictions in the Franchise Agreement. We do not require Owners’ spouses to sign guaranties.

The General Manager and all of the Bakery’s employees having access to Confidential Information must sign agreements in a form we reasonably specify under which they agree to comply with the confidentiality restrictions in the Franchise Agreement.

Development Rights Agreement

You must develop your Development Area according to the Development Schedule. We recommend that you (or, if you are an entity, your owners) personally supervise your development of Sprinkles Cupcakes Bakeries. Under the Development Rights Agreement your personnel need not have an equity interest in any Sprinkles Cupcakes Bakery or in you. Personnel need not attend our training program. If you are an entity, your owners need not sign any personal guarantees of your obligations under the Development Rights Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Bakery must offer all products (including menu items and items for retail sale) and services that we periodically specify as being mandatory. You may not offer, sell, or provide at the Bakery, the Site or any other location any products or services that we have not authorized. You must discontinue offering, selling or providing any products or services that we at any time disapprove in writing. You may not sell any products at wholesale (including Proprietary Mixes)

without our written consent nor offer products or services from any location other than the Site (including any off-site Cupcake ATM or other means of remote distribution), without our approval. We may periodically change the types of goods and other authorized services and products for the Bakery and there are no limits on our right to make changes.

You must provide, and/or contract with one or more third parties whom we designate or approve (which may include or be limited to us or our affiliates) to provide, Delivery Service from the Bakery according to System Standards and the Franchise Agreement. You may not establish another outlet or property (other than the Site) for use in connection with Delivery Service and may not provide Delivery Service to customers at Non-Traditional Locations without our prior written consent. We will determine, and may periodically modify, the geographic area within which you will offer Delivery Service, but you will not receive any exclusive, protected or other territorial rights for deliveries in that geographic area. You must ensure your customers receive high quality products prepared and maintained according to the System Standards. You and third-party providers must maintain the condition, appearance, and maintenance of the vehicles, serveware, and equipment used for Delivery Services according to System Standards. If you or your affiliates directly provide Delivery Services, you must ensure that all delivery drivers comply with applicable laws and maintain adequate motor vehicle insurance according to our specifications, which we may change periodically. If you do not comply with these requirements for Delivery Service, including any System Standard, then in addition to our other rights, we may temporarily suspend or permanently terminate your right to provide Delivery Service or temporarily or permanently restrict the geographic area within which you may provide Delivery Service.

We or our affiliates may enter into agreements with third parties relating to the sale and distribution of cupcakes and/or other products prepared by one or more Sprinkles Cupcakes Bakeries, including a third party's establishment and maintenance of Cupcake ATMs (the "**Distribution Arrangements**"). You must, to the maximum extent the law allows, comply with and otherwise honor the terms of any Distribution Arrangement we periodically specify.

Our System Standards may regulate, and periodically specify, maximum, minimum, or other pricing requirements for products and services that the Bakery offers, including requirements for promotions, special offers and discounts in which some or all Sprinkles Cupcakes Bakeries participate, to the maximum extent the law allows; standards, requirements and procedures for operating Cupcake ATMs and/or fulfilling orders in connection with the Distribution Arrangements, as we may require or allow in our sole judgment; requirements for vehicles, training, qualifications, conduct and appearance of personnel, product packaging, format and use of materials and supplies, shipping and delivery methods, and other aspects of providing Delivery Service, including restrictions on delivery to customers with whom we have an established business relationship; and issuing and honoring gift certificates, gift cards, stored value cards and similar items and participating in other promotions, including any customer loyalty programs and promotions and procedures for resolving customer complaints.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	1.B and 14.C of Franchise Agreement and 11 of Development Rights Agreement	Franchise Agreement expires 10 years after the opening date of the Bakery. If you continue operating after expiration, we may treat the term as extended on a week-to-week basis until either we or you deliver notice ending that extension. Development Rights Agreement expires when the final franchise agreement under the Development Schedule is signed.
b. Renewal or extension of the term	14.A of Franchise Agreement	Under the Franchise Agreement you may acquire 1 successor franchise of 10 years if you have complied with your obligations under the Franchise Agreement and other agreements, you provide written notice, you demonstrate the right to maintain possession of the Site for at least 10 years following expiration, and you have renovated and/or remodeled the Bakery to meet then current requirements for new similarly situated Sprinkles Cupcakes Bakeries. Under the Development Rights Agreement, you may not extend or renew the term.
c. Requirements for franchisee to renew or extend	14.B of Franchise Agreement	Under the Franchise Agreement, upon renewal, you must sign our then current form of franchise agreement (which may be materially different from the Franchise Agreement), pay us successor franchise fee of 50% of the current franchise fee and sign release (to the extent state law allows).
d. Termination by franchisee	15.A of Franchise Agreement	You may terminate the Franchise Agreement if we materially breach and fail to cure within 30 days after notice or, if we cannot reasonably correct the breach in 30 days, then if we do not cure within a reasonable time. You have no right to terminate the Development Rights Agreement except as applicable law allows.
e. Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement or Development Rights Agreement without cause.
f. Termination by franchisor with cause	15.B-C of Franchise Agreement and 12 and 13 of Development Rights Agreement	We may terminate the Franchise Agreement and Development Rights Agreement if you or your owners commit any one of several violations, including your failure to comply with the Development Schedule. We may exercise a list of alternative remedies instead of terminating the Franchise Agreement and/or Development Rights Agreement.

Provision	Section in franchise or other agreement	Summary
g. “Cause” defined – curable defaults	15.B of Franchise Agreement	Under the Franchise Agreement you have 72 hours to fully cure violations of law, 10 days to cure payment defaults and 30 days to cure other defaults not listed in (h) below. There are no curable defaults under the Development Rights Agreement.
h. “Cause” defined – non-curable defaults	15.B of Franchise Agreement and 12 of Development Rights Agreement	<p>Non-curable defaults under the Franchise Agreement include material misrepresentation or omission, failure to satisfactorily complete training, failure to sign lease or open Bakery on time, abandonment or failure actively to operate, surrender or transfer of your or Bakery’s control, conviction of or pleading no contest to felony, any dishonest, unethical or illegal conduct that adversely impacts reputation or goodwill, failure to maintain insurance, interference with our rights to inspect Bakery or audit books and records, unauthorized transfer, using Proprietary Mixes from unauthorized sources; termination of affiliated Production Bakery, unauthorized distribution of Proprietary Mixes, termination of another agreement between you and us (excluding the termination of the Development Rights Agreement), violation of non-compete or confidentiality restrictions, failure to pay taxes, suppliers or lenders, repeated defaults and bankruptcy-related events. We may not terminate the Franchise Agreement upon termination of the Development Rights Agreement.</p> <p>Non-curable defaults under the Development Rights Agreement include material misrepresentation or omission, conviction of or pleading no contest to felony, any dishonest, unethical or illegal conduct that adversely impacts reputation or goodwill, failure to comply with the Development Schedule or other provision, failing to operating at least 1 Production Bakery, and breach or default of any agreement (including a Franchise Agreement) with you or your affiliate. We may terminate the Development Rights Agreement upon termination of a Franchise Agreement.</p>
i. Franchisee’s obligations on termination/ non-renewal	16 of Franchise Agreement	Pay amounts due (including liquidated damages), stop identifying as our franchisee or using Marks or similar marks, de-identify Bakery (including the on-site Cupcake ATM (if applicable)), cease using Confidential Information, and return Operations Manual (see also (o) and (r) below).
j. Assignment of contract by franchisor	13.A of Franchise Agreement and 14 of Development Rights Agreement	We may assign agreements and change our ownership or form without restriction.
k. “Transfer” by franchisee - defined	13.B of Franchise Agreement and 15(b) of Development Rights Agreement	Includes transfer of any interest in the Franchise Agreement or Development Rights Agreement, the Bakery or its assets or your business, or any direct or indirect ownership interest in you if you are an entity, or which results in the transfer or creation of a controlling ownership interest in you.

Provision	Section in franchise or other agreement	Summary
l. Franchisor approval of transfer by franchisee	13.B to 13.I of Franchise Agreement and 15(b) of Development Rights Agreement	<p>No transfers under the Franchise Agreement or Development Rights Agreement without our approval.</p> <p>Under the Development Rights Agreement, we may grant or withhold our approval for any reason</p>
m. Conditions for franchisor approval of transfer	13.B to 13.I of Franchise Agreement and 15(b) of Development Rights Agreement	<p>Under the Franchise Agreement, conditions for non-control transfer are compliance with agreements, you provide notice and information to us at least 30 days before proposed transfer, sign general release (to the extent state law allows), transferee and its owners meet standards and have no ownership interest in or perform services for a competitive business, transferring owners agree not to use Marks or compete, you and owners agree to sign agreement and related documents to reflect new ownership structure, and you must pay a transfer fee of \$2,500.</p> <p>Under the Franchise Agreement, conditions for control transfer are compliance with Franchise Agreement, you provide notice and information to us at least 30 days before proposed transfer, sign general release (to the extent state law allows), transferee and its owners meet standards and have no ownership interest in or perform services for a competitive business, transferring owners agree not to use Marks or compete, transferee and owners demonstrate they have experience and resources under Development Rights Agreement, new personnel complete training, transferee or you repair and/or replace Operating Assets and upgrade Bakery and Site under Franchise Agreement, transferee (at our option) either agrees to be bound by current Franchise Agreement and Development Rights Agreement or signs our then current form of agreement and related documents (which may contain different provisions), you pay transfer fee equal to 25% of the then current initial franchise fee for each Franchise Agreement and the Development Rights Agreement, price and payment terms do not adversely affect operation, and transferee subordinates obligations.</p> <p>If the Bakery is a Pantry Bakery, we may condition our approval of the transfer on the simultaneous transfer of other rights, interests, obligations, assets, and/or ownership interests, so that following the proposed transfer, the proposed transferee (or its affiliate) owns and operates a Production Bakery under a franchise agreement with us.</p> <p>Under the Development Rights Agreement, we may condition our approval on the simultaneous transfer of other rights, interests, obligations, assets, and/or ownership interests, so that following the proposed transfer, the proposed transferee or its Controlled Affiliate operates at least 1 Production Bakery.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	13.I of Franchise Agreement	We have the right to match offers under certain conditions.

Provision	Section in franchise or other agreement	Summary
o. Franchisor's option to purchase franchisee's business	16.E of Franchise Agreement	We may purchase the Bakery's assets when the Franchise Agreement expires or terminates and manage the Bakery pending our purchase.
p. Death or disability of franchisee	13.G of Franchise Agreement	Must transfer to an approved transferee within 6 months.
q. Non-competition covenants during the term of the franchise	12 of Franchise Agreement and 10 of Development Rights Agreement	No owning interest in, providing services for, loaning or leasing to, or diverting Bakery business or customers to a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	16.D of Franchise Agreement and 10 of Development Rights Agreement	For 3 years, no owning interest in or providing services for a competitive business at the Site, within 10 miles of the Site, or within 10 miles of any other Sprinkles Cupcakes Bakery.
s. Modification of the agreement	18.J of Franchise Agreement and 16 of Development Rights Agreement	Modifications only by written agreement of the parties, but we may change the Operations Manual, System Standards and Franchise System.
t. Integration/merger clause	18.L of Franchise Agreement and 16 of Development Rights Agreement	Only terms of the agreements are binding (subject to state law). Any representations or promises made outside of the Disclosure Document and those agreements may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the franchise disclosure document, its exhibits, and amendments.
u. Dispute resolution by arbitration or mediation	18.F of Franchise Agreement and 16 of Development Rights Agreement	We and you must arbitrate all disputes within 10 miles of our then current principal business address (currently Austin, Texas) (subject to state law).
v. Choice of forum	18.H of Franchise Agreement and 16 of Development Rights Agreement	Subject to arbitration obligations, litigation is in the state and city of our then current principal business address (currently Austin, Texas) (subject to state law).
w. Choice of law	18.G of Franchise Agreement and 16 of Development Rights Agreement	Except for Federal Arbitration Act and other federal law, Texas law applies to all claims (subject to state law).

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

I. 2022 Gross Sales for All Covered Bakeries

1 franchisee operated 1 Sprinkles Cupcakes Bakery as of January 1, 2023, which is the last day of our 2022 fiscal year, from January 3, 2022 to January 1, 2023 (the "2022 Fiscal Year"). Our affiliates operated 22 Sprinkles Cupcakes Bakeries as of January 1, 2023. (Our affiliates also operated 2 commissaries that do not sell products at retail, so we do not consider these commissaries to be Sprinkles Cupcakes Bakeries and we exclude them from this Item 19.) 2 of our affiliates' Sprinkles Cupcakes Bakeries are at non-traditional locations in amusement parks where we do not expect our franchisees would operate, so we exclude them from this Item 19. We also excluded 2 affiliate-operated Sprinkles Cupcakes Bakeries that opened in January 2022 and October 2022 because they were not open for 12 months at the end of our 2022 Fiscal Year. This first financial performance representation provides the average Gross Sales (defined below) during the 2022 Fiscal Year for the remaining 18 Sprinkles Cupcakes Bakeries that our affiliates operated during all of the 2022 Fiscal Year (the "**Covered Bakeries**").

The Covered Bakeries include 9 Production Bakeries and 9 Pantry Bakeries. We do not expect that sales levels will differ materially depending on whether a location is a Production Bakery or a Pantry Bakery, although as described in the second financial performance representation, the cost structures are likely to vary depending on the type of Sprinkles Cupcakes Bakery.

We define Gross Sales in this Item 19 the same way we define them in Item 6, except that we do not imply or impute Gross Sales for comp sales in excess of 1% (like we do for franchisees, as described in Item 6). "**Gross Sales**" means all revenue that the bakery receives or otherwise derives from operations, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including (i) any implied or imputed Gross Sales from any business interruption insurance; and (ii) all revenue from selling products intended for off-premises consumption or use and from providing Delivery Service. However, "Gross Sales" excludes (a) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; (b) any bona fide refunds and credits that are actually provided to customers; and (c) the face value of coupons or discounts that customers redeem.

2022 Fiscal Year Gross Sales

	# of Bakeries	Average 2022 Gross Sales	#/% Exceeding Average	Highest Annual Gross Sales	Lowest Annual Gross Sales	Median Annual Gross Sales
Top Third Covered Bakeries	6	\$2,937,781	3/50%	\$3,240,917	\$2,352,178	\$3,053,234
Middle Third Covered Bakeries	6	\$2,013,113	3/50%	\$2,259,845	\$1,801,001	\$1,966,411
Bottom Third Covered Bakeries	6	\$1,462,277	4/67%	\$1,763,703	\$787,067	\$1,657,447

Notes to First Financial Performance Representation

(1) The Covered Bakeries vary in terms of their location and operations. 5 of the Covered Bakeries operate as stand-alone Production Bakeries that do not make any Proprietary Mixes for or ship any products to other locations (other than off-site Cupcake ATMs) (the “**Stand-Alone Bakeries**”). The Stand-Alone Bakeries operate in Palo Alto, California, Chicago, Illinois, Washington, DC, Scottsdale, Arizona, and Houston (Rice Village), Texas. The remaining Covered Bakeries operate in one of our regions. The Florida region includes one Covered Bakery that operates as a Production Bakery and provides Proprietary Mixes to a Sprinkles Cupcakes Bakery at a non-traditional location. 4 Covered Bakeries are in the Texas region and operate in tandem with each other, with 2 Production Bakeries supporting 2 Pantry Bakeries (the “**Texas Tandem Bakeries**”). One Covered Bakery is in the New York region. It is a Production Bakery that provides Proprietary Mixes to a third party national distributor, although we only include the Gross Sales at retail, and not the sales to the third party national distributor, in the figures we report above. Finally, the Southern California/Nevada region includes 7 Covered Bakeries that are Pantry Bakeries, along with one non-traditional location and 2 commissaries. (All non-traditional locations and commissaries are excluded from the group of Covered Bakeries.) 4 of the Covered Bakeries operate in urban/metro markets and the remaining 14 in suburban markets. They range in size from 579 square feet to 2,936 square feet, with an average of 1,727 square feet. All 18 Covered Bakeries are in retail shopping centers or in-line store front locations. The Covered Bakeries face generally the same competition from other bakeries and dessert-focused foodservice outlets that we expect new franchisees will face.

(2) Except for the Stand-Alone Bakeries, the Covered Bakeries generally operate in clustered regions where other Sprinkles Cupcakes Bakeries had established a market presence. The Covered Bakeries that first opened in new markets did not benefit from an established trade identity in the market or from local marketing activities that other Sprinkles Cupcakes Bakeries had conducted. The Covered Bakeries in the top third of Gross Sales have operated for an average of 14 years, the Covered Bakeries in the middle third of Gross Sales have operated for an average of 10 years, and the Covered Bakeries in the bottom third of Gross Sales have operated for an average of 7 years. The more mature Covered Bakeries have had more time to develop a base of customers and generate brand awareness in their markets than the newer Covered Bakeries. The Covered Bakeries’ Gross Sales levels also varied based on the competition in the local market, their pricing decisions, and the quality of the management and service at the Covered Bakery. Each of the Covered Bakeries offers primarily the same products and services that we expect new Sprinkles Cupcakes Bakeries to offer.

(3) These Gross Sales figures include amounts for cupcakes that the Covered Bakeries sold through Cupcake ATMs. 11 of the 18 Covered Bakeries (including 4 of the Covered Bakeries in the top third of Gross Sales for the 2022 Fiscal Year, 2 in the middle third and 5 in the bottom third) have on-site Cupcake ATMs that are attached to or otherwise part of the bakery's location. These Covered Bakeries sell cupcakes to customers directly through these on-site Cupcake ATMs and the Gross Sales figures reflect the revenue from these sales. We expect most franchisees will have on-site Cupcake ATMs attached to their Bakeries. Also, as of January 1, 2023, 6 of the 18 Covered Bakeries had contracted with a third party who buys cupcakes from the Covered Bakery and resells them to customers at off-site Cupcake ATMs which the third party maintains. The Gross Sales figures reflect the amounts that the third party pays to those 6 Covered Bakeries for those cupcakes (net of discounts). Gross Sales from the off-site Cupcake ATMs constituted between 6.3% and 41.4% of their Gross Sales for the year, depending on the number of machines they supply. We are expanding the Covered Bakeries' participation in the off-site Cupcake ATM program during 2023 and we expect most franchisees will have the option to sell cupcakes to our designated third party who will resell them to customers at off-site ATMs.

(4) This financial performance representation does not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Sprinkles Cupcakes Bakery. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

II. 2022 EBITDAR for Certain Bakeries.

In this second financial performance representation, we provide the sales, certain expenses and profit information for 2 sets of Covered Bakeries: the 5 Stand-Alone Bakeries and the 4 Texas Tandem Bakeries. The cost structures for the other 9 Covered Bakeries are atypical for a number of reasons. The Covered Bakery in the Florida region provides Proprietary Mixes to a non-traditional location (which is not a Covered Bakery), the Covered Bakery in the New York region provides Proprietary Mixes to a third party national distributor, and the 7 Covered Bakeries in the Southern California/Nevada region are Pantry Bakeries whose cupcakes are prepared at 2 commissaries. These Production Bakeries or commissaries bear the costs of goods sold and much of the labor costs associated with preparing the cupcakes that the Pantry Bakeries or non-traditional locations sell. This creates significant challenges in allocating production costs accurately among those bakeries. We also do not expect franchisees to operate their Bakeries at non-traditional locations or to use a commissary model. Therefore, this second financial performance representation lists the average Gross Sales, cost of goods sold (as further defined below, "COGS"), Labor Costs (defined below), Direct Operating Expenses (defined below), Marketing Expenses (defined below), imputed royalties, and earnings before interest, taxes, depreciation, amortization and rent (as further defined below, "EBITDAR") during the 2022 Fiscal Year for the 5 Stand-Alone Bakeries and the 4 Texas Tandem Bakeries.

A. 2022 EBITDAR for Stand-Alone Bakeries.

As described above, the 5 Stand-Alone Bakeries are Production Bakeries operating on a stand-alone basis that do not make any Proprietary Mixes for or ship any products to associated Pantry Bakeries or other locations (other than off-site Cupcake ATMs). For this reason, we expect

the cost structures for the Stand-Alone Bakeries will be similar to the cost structures that we expect franchisees to experience with their stand-alone Production Bakeries. While some franchisees will develop Production Bakeries that will eventually service Pantry Bakeries, their first Production Bakeries initially will operate on a stand-alone basis. Some franchisees also might choose to develop only stand-alone Production Bakeries based on the rent, geography and other aspects of the market in which those franchisees will develop their Sprinkles Cupcakes Bakeries.

The 5 Stand-Alone Bakeries operate in Palo Alto, California, Chicago, Illinois, Washington, DC, Scottsdale, Arizona, and Houston (Rice Village), Texas. 3 are located in urban markets and 2 are in suburban markets. They range in size from 1,549 square feet to 2,818 square feet, with an average of 2,019 square feet. All are in retail shopping centers or in-line store front locations. They have operated for an average of 10 years. The Stand-Alone Bakeries provide the same products and services and face generally the same competition from other bakeries and dessert-focused foodservice outlets that we expect new franchisees will provide and face. The 5 Stand-Alone Bakeries ranked #4, #5, #7, #9, and #18 of the 18 Covered Bakeries in terms of their total Gross Sales for the 2022 Fiscal Year. 3 of the Stand-Alone Bakeries have Cupcake ATMs attached to the Bakery. As of January 1, 2023, 2 of the Stand-Alone Bakeries had contracted with a third party to operate off-site Cupcake ATMs. Gross Sales from the off-site ATMs constituted 11.2% and 15.5% of those bakeries' Gross Sales for the 2022 Fiscal Year.

2022 Fiscal Year EBITDAR for Stand-Alone Bakeries

	Average	% of Gross Sales	#/% exceeding results (higher sales/profit or lower cost)	Median
Average Gross Sales	\$2,133,164		3/60%	\$2,254,731
Average COGS	\$430,920	20.2%	3/60%	\$464,404
Average Gross Profit	\$1,702,243	79.8%	3/60%	\$1,790,327
Average Labor Costs	\$597,480	28.0%	2/40%	\$530,269
Average Direct Operating Expenses	\$331,203	15.5%	3/60%	\$340,881
Average Controllable Profit	\$773,560	36.3%	4/80%	\$936,157
Average Marketing Expenses	\$110,938	5.2%	2/40%	\$109,476
Average Imputed Royalty	\$106,658	5.0%	3/60%	\$112,737
Average EBITDAR	\$555,964	26.1%	4/80%	\$713,944

The highest annual Gross Sales for the 5 Stand-Alone Bakeries during the 2022 Fiscal Year was \$2,911,549 and the lowest Gross Sales was \$788,934.

B. 2022 EBITDAR for Texas Tandem Bakeries.

There are 4 Texas Tandem Bakeries. One is a Production Bakery in Dallas that provides Proprietary Mixes to a Pantry Bakery in Plano. One is a Production Bakery in Houston that provides Proprietary Mixes to a Pantry Bakery in Austin. While it is challenging to allocate production costs accurately between a Production Bakery and the Pantry Bakery it services, in this financial performance representation we are averaging the sales and certain expenses of both the Production Bakeries and the Pantry Bakery it services. For this reason, we expect the cost structures for the Texas Tandem Bakeries will, on average, be similar to the cost structures that we expect franchisees to experience if they develop a Production Bakery that services a Pantry Bakery.

2 of the Texas Tandem Bakeries are located in urban markets and 2 are in suburban markets. They range in size from 1,392 square feet to 3,000 square feet, with an average of 2,065 square feet. All are in retail shopping centers or in-line store front locations. They have operated for an average of 9 years. The Texas Tandem Bakeries provide the same products and services and face generally the same competition from other bakeries and dessert-focused foodservice outlets that we expect new franchisees will provide and face. The 4 Texas Tandem Bakeries ranked #3, #10, #14 and #15 of the 18 Covered Bakeries in terms of their total Gross Sales for the 2022 Fiscal Year. As of January 1, 2023, 2 of the Texas Tandem Bakeries had contracted with a third party to operate off-site Cupcake ATMs. Gross Sales from the off-site ATMs constituted 8.7% and 16.7% of those bakeries' Gross Sales for the 2022 Fiscal Year.

2022 Fiscal Year EBITDAR for Texas Tandem Bakeries

	Average	% of Gross Sales	#/% exceeding results (higher sales/profit or lower cost)	Median
Average Gross Sales	\$2,133,616		1/25%	\$1,837,788
Average COGS	\$472,490	22.1%	2/50%	\$431,222
Average Gross Profit	\$1,661,126	77.9%	1/25%	\$1,423,860
Average Labor Costs	\$545,865	25.6%	1/25%	\$481,171
Average Direct Operating Expenses	\$353,403	16.6%	2/50%	\$340,146
Average Controllable Profit	\$761,858	35.7%	1/25%	\$660,560
Average Marketing Expenses	\$107,606	5.0%	1/25%	\$91,948
Average Imputed Royalty	\$106,681	5.0%	1/25%	\$91,889
Average EBITDAR	\$547,571	25.7%	1/25%	\$476,722

The highest annual Gross Sales for the 4 Texas Tandem Bakeries during the 2022 Fiscal Year was \$3,189,808 and the lowest Gross Sales was \$1,669,079.

Notes to Second Financial Performance Representation

(1) We calculated Gross Sales for the Stand-Alone Bakeries and the Texas Tandem Bakeries the same way we calculated Gross Sales for all of the Covered Bakeries in the first financial performance representation.

(2) COGS includes all costs for food and food-related supplies, decorations and packaging (including bags, napkins and wrappers), including delivery costs for these items. COGS varies depending on a bakery's location, menu, product promotions, variances in suppliers' prices, and temporary shortages.

(3) Average Gross Profit is the average Gross Sales less the average COGS.

(4) "**Labor Costs**" includes the front-of-house and back-of-house hourly labor and the salaries and benefits (including bonuses) for a general manager and 2 assistant managers at each Stand-Alone Bakery or Texas Tandem Bakery. Labor Costs also includes payroll taxes for these employees. The payroll and related costs for the Stand-Alone Bakeries and Texas Tandem Bakeries varied over the course of 2022 with the recent increase in minimum wage rates. This category does not include any salaries or other costs for our affiliate's Senior Vice President of Operations who oversees the Stand-Alone Bakeries and Texas Tandem Bakeries or for any area directors or other multi-unit managers. It also does not include any salaries or other costs for employees at our headquarters and in the field who provide services to all or a number of the Stand-Alone Bakeries and Texas Tandem Bakeries. Some of these services include lease negotiation and administration, assistance with licenses and permits, contract negotiation and administration, local marketing assistance, information technology services, finance and accounting services, training, and human resources.

(5) "**Direct Operating Expenses**" includes other expenses that directly relate to the applicable bakery operations, such as smallwares and equipment; repair and maintenance costs, but only those that are not capitalized under generally accepted accounting principles; computer software, telephone/Internet and other IT-related charges; credit card fees; office and cleaning supplies; contract services like trash removal, landscaping, security/monitoring systems, pest control, snow removal and window cleaning, the costs for which can vary widely depending on the bakery's location; utilities, if they are not covered as part of rent; travel costs; and insurance costs. The Direct Operating Expenses varied among the Stand-Alone Bakeries and Texas Tandem Bakeries based on factors like the bakery's age, the state and municipality where the Bakery is located (because of variations in license fees), and internal administrative costs for tasks like travel, payroll and bookkeeping.

(6) Average Controllable Profit is the average Gross Sales less the average COGS, Labor Costs and Direct Operating Expenses.

(7) “**Marketing Expenses**” includes the actual amounts that the Stand-Alone Bakeries and Texas Tandem Bakeries spent on local marketing plus the share of the total costs for national, regional and system-wide advertising, marketing and promotional programs, including guest services expenses, that our affiliates allocated to the bakeries. The Brand Fund was not yet started in 2022, but we plan to start collecting Brand Fund contributions equal to 2% of Gross Sales from all franchised and affiliate-owned Sprinkles Cupcakes Bakeries (other than those at non-traditional locations), including the Stand-Alone Bakeries and Texas Tandem Bakeries, beginning in 2023. We also currently require franchisees to spend 2% of Gross Sales on Local Marketing. So while the maximum Marketing Spending Requirement we can impose during the Franchise Agreement’s term is 5% of Gross Sales, the current requirement is only 4% of Gross Sales. Therefore these Marketing Expense figures reflect a higher spend than our current minimum requirements for franchisees.

(8) Our affiliates do not pay us royalties for the Stand-Alone Bakeries or Texas Tandem Bakeries. For these financial performance representations we have imputed royalties equal to 5% of Gross Sales for the Bakeries.

(9) EBITDAR means the average earnings before interest, taxes, depreciation, amortization, and rent/real property costs for the Stand-Alone Bakeries or the Texas Tandem Bakeries. EBITDAR is a measure of store-level cash flow that is commonly used in the restaurant industry. As is customary, it excludes expenses related to the acquisition or lease of real property (including all payments made under the real property leases for the bakeries, such as rent, common area maintenance charges, and utilities that are collected as part of rent), as well as all debt service costs, whether principal or interest. EBITDAR is not the amount of net profit that the Stand-Alone Bakeries or Texas Tandem Bakeries generate because EBITDAR does not account for all costs and expenses that a Sprinkles Cupcakes Bakery incurs. In addition to the costs and expenses described above as being excluded from the EBITDAR calculation, these financial performance representations do not include any amounts for the initial franchise fees that franchisees pay us under the Franchise Agreement or any compensation to the franchisee’s owners.

We calculated the figures in the tables above using information that our affiliates provided. Upon your reasonable request, we will provide written substantiation for these financial performance representations.

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

Other than the preceding financial performance representations, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Brett Willis, our Vice President of Development, at 7710 Rialto Blvd Suite 150 Austin, Texas 78735, and (737) 256-6681, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

All numbers appearing in Tables 1 – 5 below are as of December 31 in each year. Our affiliate operates the Sprinkles Cupcakes Bakeries listed as “company-owned.”

Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	1	1
Company-Owned	2020	21	20	-1
	2021	20	20	0
	2022	20	22	2
Total Outlets	2020	21	20	-1
	2021	20	20	0
	2022	20	23	23

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

Column 1 States	Column 2 Year	Column 3 Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -Other Reason	Column 9 Outlets at End of Year
Utah	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TOTALS	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

Table 4
Status of Company-Owned Outlets
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Arizona	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
California	2020	9	0	0	0	0	9
	2021	9	0	0	0	0	9
	2022	9	2	0	0	0	11
District of Columbia	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Florida	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Illinois	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
New York	2020	3	0	0	1	0	2
	2021	2	0	0	1	0	1
	2022	1	0	0	0	0	1
Texas	2020	4	0	0	0	0	4
	2021	4	1	0	0	0	5
	2022	5	0	0	0	0	5
Totals	2020	21	0	0	1	0	20
	2021	20	1	0	1	0	20
	2022	20	2	0	0	0	22

*California and Florida each have one non-traditional Sprinkles Cupcakes Bakery operating in the state. New York had one non-traditional Sprinkles Cupcakes Bakery that closed during our 2020 fiscal year. These 3 outlets have been included in the tables above. The tables do not include off-site Cupcake ATMs or commissaries that do not sell products at retail, as we do not consider these locations to be Sprinkles Cupcakes Bakeries.

**Table No. 5
Projected Openings As Of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Texas	0	1	0
TOTALS	0	1	0

The name of our franchisee, and the address and telephone number of the Sprinkles Cupcakes Bakery, is listed in Exhibit E. In the future, we will also provide in Exhibit F, a list of the names, cities and states, and last known home or business telephone numbers of the franchisees who had an outlet terminated, transferred, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement with us, during the previous fiscal year or who have not communicated with us within 10 weeks of our then current disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed agreements with confidentiality clauses during the last 3 years. There are no trademark-specific franchisee organizations associated with the Sprinkles Cupcakes Bakery franchise network.

Item 21

FINANCIAL STATEMENTS

Exhibit G contains our audited balance sheets as of January 1, 2023 and January 2, 2022 and the related statements of operations, member's equity, and cash flows for the year ended January 1, 2023, January 2, 2022 and the period from August 10, 2020 to January 3, 2021. We have not been in business for 3 years and, therefore, cannot include a full 3 years of audited financial statements in this disclosure document. Exhibit G also contains our unaudited balance sheet and income statement as of April 2, 2023.

Item 22

CONTRACTS

The following agreements are exhibits to this disclosure document:

1. Franchise Agreement – Exhibit B
2. Development Rights Agreement – Exhibit C
3. Current Form of Release – Exhibit H
4. State-Specific Riders to Franchise Agreement – Exhibit I

Item 23

RECEIPT

Our and your copies of the Franchise Disclosure Document Receipt are the last pages of this disclosure document.

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

**STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of Department of Financial
Protection & Innovation
Department of Financial Protection & Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General’s Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT B

FRANCHISE AGREEMENT

SPRINKLES CUPCAKES® BAKERY

FRANCHISE AGREEMENT

Franchisee Name

Address of Bakery

- Production Bakery
- Pantry Bakery

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**SPRINKLES CUPCAKES® BAKERY
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of _____, 20__ (the “**Agreement Date**”), regardless of the date of the parties’ signatures, between Sprinkles Franchise Group LLC, a Delaware limited liability company with its principal business address at 7710 Rialto Blvd Suite 150, Austin, Texas 78735 (“**SFG**”), and _____, whose principal business address is _____ (“**Franchisee**”).

1. Preambles and Grant of Franchise Rights.

1.A. Preambles.

(1) SFG and its predecessors, and its and their affiliates, have developed a method of developing and operating bakeries featuring handcrafted cupcakes, cookies, brownies, and other products and services which are primarily identified by the Marks (defined below) and use the Franchise System (defined below) (collectively, “**Sprinkles Cupcakes Bakeries**”). SFG currently classifies Sprinkles Cupcakes Bakeries as either Production Bakeries or Pantry Bakeries. “**Production Bakeries**” are Sprinkles Cupcakes Bakeries that prepare, produce and/or otherwise modify certain batters, frostings, and/or other proprietary mixes and ingredients used in the preparation of certain products that Sprinkles Cupcakes Bakeries sell (as SFG may periodically modify them, collectively, the “**Proprietary Mixes**”) and use those Proprietary Mixes to prepare certain products that the Production Bakeries sell to customers. “**Pantry Bakeries**” are Sprinkles Cupcakes Bakeries that obtain their Proprietary Mixes from Production Bakeries and/or other sources that SFG designates or approves (if any) and use those Proprietary Mixes to bake and otherwise prepare on-site certain products that the Pantry Bakeries sell to customers.

(2) SFG and its predecessors, and its and their affiliates, have developed and SFG uses, promotes and sublicenses, and may in the future develop and license or sublicense, certain trademarks, service marks and other commercial symbols in operating Sprinkles Cupcakes Bakeries, all of which SFG may modify from time to time (collectively, the “**Marks**”).

(3) SFG offers franchises to own and operate a Sprinkles Cupcakes Bakery using SFG’s business system, business formats, product preparation techniques and processes, methods, procedures, signs, designs, layouts, trade dress, standards, specifications and Marks, all of which SFG may improve, further develop and otherwise modify from time to time (collectively, the “**Franchise System**”).

(4) Franchisee has applied for a franchise to own and operate a Sprinkles Cupcakes Bakery, and SFG has approved Franchisee’s application relying on all of Franchisee’s representations, warranties and acknowledgments contained in Franchisee’s franchise application and this Agreement.

1.B. Grant of Franchise and Term. Franchisee has applied for a franchise to own and operate a Sprinkles Cupcakes Bakery at the location specified on Exhibit A (the “**Site**”). Subject to the terms of this Agreement, SFG grants Franchisee the right and Franchisee assumes the obligation to develop and operate a Sprinkles Cupcakes Bakery at the Site (the “**Bakery**”), and to use the Franchise System in its operation, for a term beginning on the Agreement Date and ending on the date which is ten (10) years after the date upon which the Bakery first opens for business (the “**Opening Date**”), unless sooner terminated (the “**Term**”). SFG may amend Exhibit A after the date hereof to include the Opening Date.

1.C. Best Efforts. Only Franchisee is authorized to operate the Bakery. Franchisee must operate the Bakery for the entire Term and at all times faithfully, honestly and diligently perform its obligations and fully exploit the rights granted under this Agreement.

1.D. Business Entity Franchisee. If Franchisee is at any time a corporation, a limited liability company, a general, limited, or limited liability partnership, or another form of business entity (collectively, an “**Entity**”), Franchisee agrees and represents that:

(1) Franchisee’s organizational documents, operating agreement, and/or partnership agreement (as applicable) will recite that this Agreement restricts the issuance and transfer of any Ownership Interests (defined below) in Franchisee, and all certificates and other documents representing Ownership Interests in Franchisee will bear a legend referring to this Agreement’s restrictions. In this Agreement, “**Ownership Interests**” means (a) in relation to a corporation, shares of capital stock (whether common stock, preferred stock or any other designation) or other equity interests; (b) in relation to a limited liability company, membership interests or other equity interests; (c) in relation to a partnership, a general or limited partnership interest; (d) in relation to a trust, a beneficial interest in the trust; and (e) in relation to any Entity (including those described in (a) through (d) above), any other interest in that Entity or its business that allows the holder of that interest (whether directly or indirectly) to direct or control the direction of the management of the Entity or its business (including a managing partner interest in a partnership, a manager or managing member interest in a limited liability company, and a trustee of a trust), or to share in the revenue, profits or losses of, or any capital appreciation relating to, the Bakery, that Entity or its business.

(2) Exhibit B to this Agreement completely and accurately describes all of Franchisee’s Owners (defined below) and their Ownership Interests in Franchisee. In this Agreement, “**Owner**” means any individual or Entity holding a direct or indirect Ownership Interest (whether of record, beneficially, or otherwise) in Franchisee. The Managing Owner (defined below) and each Owner (if any) who owns (directly or indirectly) more than twenty-five percent (25%) of the Ownership Interests in Franchisee at any time during the Term must sign an agreement in the form SFG designates undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and SFG (a “**Guaranty**”), the current version of which is Exhibit C to this Agreement. The General Manager (defined below) and any Owner who does not sign a Guaranty must sign an agreement in the form SFG designates undertaking personally to be bound, jointly and severally, by the confidentiality, non-compete and transfer restrictions in this Agreement (a “**Key Personnel**”).

Agreement”), the current version of which is Exhibit D to this Agreement. Subject to SFG’s rights and Franchisee’s obligations under Section 13, Franchisee and its Owners agree to sign and deliver to SFG revised Exhibits B to reflect any changes in the information that Exhibit B now contains.

(3) an individual whom SFG approves (the “**Managing Owner**”) must at all times during the Term: (a) own (directly or indirectly) more than fifty percent (50%) of the Ownership Interests in Franchisee; (b) have the authority under Franchisee’s governing documents to authorize a merger, liquidation, dissolution or transfer of substantially all of the assets of Franchisee and otherwise to direct and control Franchisee’s management and policies without the vote or consent of any other person or Entity; and (c) devote sufficient time and attention to the promotion and operation of the Bakery. The Managing Owner as of the Agreement Date is listed on Exhibit B.

(4) Franchisee shall designate an individual whom SFG approves (the “**General Manager**”) to serve as the Bakery’s general manager who will devote all of his or her business time and attention to the on-premises management and operation of the Bakery. The General Manager need not have any direct or indirect Ownership Interest in Franchisee but must have the authority over all day-to-day business decisions for Franchisee and the Bakery. The General Manager as of the Agreement Date is listed on Exhibit B. If the General Manager no longer serves in that capacity for any reason, then Franchisee must designate a replacement General Manager whom SFG approves, and ensure that such new General Manager satisfactorily completes the training that SFG then requires, within sixty (60) days thereafter.

(5) the Bakery and other Sprinkles Cupcakes Bakeries, if applicable, will be the only businesses Franchisee owns or operates (although its Owners and affiliates may have other business interests, subject to Section 12).

2. Site Acceptance, Development and Opening of Bakery.

2.A. Site Acceptance. Franchisee has selected, and SFG has accepted, the Site for the Bakery before the Agreement Date. (If this Agreement is signed pursuant to a Development Rights Agreement and the Site is not determined as of the Agreement Date, the Site will be determined in accordance with Section 8 of the Development Rights Agreement). Despite any assistance, information or recommendations that SFG provided with respect to the Site, SFG has made and will make no representations or warranties of any kind, express or implied, of the suitability of the Site for a Sprinkles Cupcakes Bakery or any other purpose. SFG’s recommendation or acceptance indicates only that SFG believes that the Site meets or has the potential to meet, or that SFG has waived, its general criteria of Site acceptability as of the Agreement Date. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after SFG recommends or accepts a Site, demographic and/or other factors included in or excluded from its site criteria could change, thereby altering a site’s potential. The uncertainty and instability of these criteria are beyond SFG’s control, and SFG is not responsible if the Site fails to meet its or Franchisee’s expectations. Franchisee’s acceptance of the rights under this Agreement is based on its own independent investigation of the Site’s suitability.

2.B. Lease. Franchisee must obtain SFG's prior written acceptance of the terms of any lease or sublease for the Site (the "**Lease**") before Franchisee signs it. The Lease must contain the terms and provisions that are reasonably acceptable to SFG, including provisions to protect its rights as franchisor. Franchisee acknowledges that SFG's acceptance of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Sprinkles Cupcakes Bakery operated at the Site. SFG's acceptance of the Lease indicates only that SFG believes that the Lease's terms meet, or that SFG has waived, its then acceptable criteria. Franchisee must give SFG a copy of the fully-signed Lease within ten (10) days after Franchisee and the landlord have signed it. Franchisee may not sign any renewal or amendment of the Lease that SFG has not accepted. Franchisee must sign a Lease that SFG has accepted within forty-five (45) days after the Agreement Date.

2.C. Developing and Equipping the Bakery. SFG will provide Franchisee mandatory and suggested specifications and layouts for a Sprinkles Cupcakes Bakery, which might include an on-site Cupcake ATM and recommendations and/or requirements for dimensions, design, image, interior layout (including equipment placement), decor, Operating Assets, and color scheme. The Bakery must include an on-site Cupcake ATM, unless otherwise prohibited by applicable ordinances, building codes and/or any lease requirements and restrictions. "**Cupcake ATM**" means a location identified by the Marks from which customers may purchase cupcakes and other items prepared at the Bakery without interacting with any individual. A Cupcake ATM may be on-site (and attached to the Bakery) or off-site at a location that is separate from the Bakery. "**Operating Assets**" means all required furniture, fixtures, vehicles, Computer System (defined below) components, equipment, furnishings, signs and smallwares that SFG periodically requires for the Bakery. The Bakery must contain all of the Operating Assets, and only the Operating Assets, that SFG periodically specifies. At SFG's option, Franchisee must use only the development company and/or other contractor(s) that SFG periodically designates or approves to design and/or develop the Bakery.

It is Franchisee's responsibility to prepare all required construction plans and specifications to suit the Site and to make sure that they comply with the Americans with Disabilities Act (the "**ADA**") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. At SFG's option, Franchisee must submit construction plans and specifications to SFG for approval before Franchisee begins constructing the Bakery and all revised or "as built" plans and specifications during construction. SFG's review is limited to ensuring Franchisee's compliance with SFG's design requirements and this Agreement's other requirements. SFG's review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with those laws and regulations is Franchisee's responsibility. Franchisee must remedy, at its expense, any noncompliance or alleged noncompliance with those laws and regulations. SFG may periodically inspect the Site while Franchisee is developing the Bakery.

At Franchisee's expense, Franchisee must construct, install trade dress and furnish all Operating Assets in, and otherwise develop the Bakery at the Site according to SFG's standards, specifications and directions. If SFG requires, Franchisee must purchase or lease only approved brands, types and/or models of Operating Assets and/or purchase or lease them only from suppliers SFG designates or approves (which may include or be limited to SFG or its affiliates).

2.D. Computer System. Franchisee agrees to obtain and use in connection with the operation of the Bakery the computer-based, web-based, application-based and/or other technological systems and services that SFG periodically specifies, including hardware components, software, dedicated communication and power systems, printers, payment devices, and other computer-related accessories and peripheral equipment (the “**Computer System**”). SFG may periodically modify specifications for and components of and/or the technologies and functions for, the Computer System, and these modifications and/or other technological developments or events, may require Franchisee to purchase, lease and/or license new or modified computer hardware, software and other components and technologies and to obtain service and support for the Computer System. Although SFG cannot estimate the future costs of the Computer System or required service or support, Franchisee agrees to incur the costs of obtaining and updating the Computer System (and additions and modifications) and required service or support. Within sixty (60) days after SFG delivers notice to Franchisee, Franchisee agrees to obtain the Computer System components that SFG designates and ensure that Franchisee’s Computer System, as modified, is functioning properly.

SFG and its affiliates may condition any license of required or recommended proprietary software to Franchisee, and/or Franchisee’s use of technology developed or maintained by or for SFG (including the System Website, as defined in Section 7.F), on Franchisee’s signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging Franchisee’s consent to and accepting the terms of a click-through license agreement), that SFG and its affiliates periodically specify to regulate Franchisee’s use of, and SFG’s (or its affiliate’s) and Franchisee’s respective rights and responsibilities with respect to, the software or technology. SFG and its affiliates may charge Franchisee up-front and ongoing fees for any required or recommended proprietary software or technology that SFG or its affiliates license to Franchisee and for other Computer System maintenance and support services provided during the term of this Agreement.

Notwithstanding Franchisee’s obligation to buy, use, and maintain the Computer System according to SFG’s standards and specifications, Franchisee has sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which Franchisee’s Computer System interfaces with SFG’s and any third party’s computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. The Computer System shall permit twenty-four (24) hours per day, seven (7) days per week electronic communications between Franchisee and SFG.

2.E. Bakery Opening. Franchisee must open the Bakery for business on or before the Opening Deadline defined and listed on Exhibit A. Franchisee agrees not to open the Bakery until: (1) Franchisee has properly developed and equipped the Bakery according to SFG’s standards and specifications and in compliance with all applicable laws and regulations; (2) all pre-opening training for the Bakery’s personnel has been completed to SFG’s satisfaction; (3) all amounts Franchisee then owes to SFG and its affiliates have been paid; (4) Franchisee has given SFG evidence of required insurance coverage and payment of premiums; (5) Franchisee has given SFG a copy of the fully-signed Lease; and (6) if SFG (at its sole option) requires, SFG has conducted a pre-opening inspection and/or has certified the Bakery for opening. SFG’s determination that Franchisee has met all of SFG’s pre-opening requirements will not constitute a waiver of

Franchisee's non-compliance or of SFG's right to demand full compliance with those requirements.

2.F. Bakery Relocation. If the Lease expires or is terminated without Franchisee's fault, or if the Bakery is destroyed, condemned, or otherwise rendered unusable, SFG will allow Franchisee to relocate the Bakery to a new site acceptable to SFG. Relocation will be at Franchisee's sole expense, and Franchisee must comply with this Agreement's provisions relating to the development of the Bakery at the new site and de-identification of the old site. SFG may charge Franchisee for the reasonable costs that SFG incurs in connection with any proposed Bakery relocation.

3. Territorial Rights.

3.A. Territorial Rights. The "**Territory**" is the geographic area specified in Exhibit A. If Franchisee is complying with this Agreement, then neither SFG nor its affiliates will operate, or authorize any other party to operate, a Sprinkles Cupcakes Bakery (whether a Production Bakery or a Pantry Bakery) the physical premises of which are located within the Territory, except for Sprinkles Cupcakes Bakeries located at Non-Traditional Locations in the Territory. "**Non-Traditional Locations**" means locations that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, industrial or office facilities, food courts, hotels, college and university buildings, airports, train stations, travel plazas, toll roads, casinos, hospitals and other medical centers, amusement parks, and stadiums and other sports and entertainment venues.

3.B. Rights SFG Maintains. SFG (and any affiliates that SFG might have from time to time) shall at all times have the right to engage in any activities SFG or they deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever SFG or they desire, including:

(1) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions SFG deems appropriate, Sprinkles Cupcakes Bakeries at any locations outside the Territory and Sprinkles Cupcakes Bakeries at any Non-Traditional Locations within or outside the Territory;

(2) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions SFG deems appropriate, bakeries or any similar or dissimilar businesses that either are not primarily identified by the Marks or do not use the Franchise System at any locations, whether within or outside the Territory;

(3) all rights relating directly or indirectly to the Marks, and all products and services associated with any of the Marks, in connection with any methods of distribution, except as specifically set forth in Section 3.A. This includes providing, and granting rights to others to provide (except as specifically set forth in Section 3.A), cupcakes and other products and services to customers and other third parties that are similar or dissimilar to, or competitive with, any products and services provided at Sprinkles Cupcakes Bakeries, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution (including through the System Website, other retail outlets, shipping

and delivery, and Cupcake ATMs or similar product distribution devices), and at any locations; and

(4) acquiring the assets or Ownership Interests of, or being acquired (regardless of the form of transaction) by, a one or more businesses providing products and services similar or dissimilar to those provided at Sprinkles Cupcakes Bakeries, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Territory.

4. Training and Assistance.

4.A. **Initial Training Program.** Before opening the Bakery for business, the Managing Owner, the General Manager (if different from the Managing Owner), and two (2) assistant managers at the Bakery must attend and complete to SFG's satisfaction all components of SFG's designated initial brand standard training program (the "**Initial Training Program**"). However, if the Managing Owner has attended and completed the Initial Training Program to SFG's satisfaction under another franchise agreement, SFG will not require the Managing Owner to attend the Initial Training Program. At Franchisee's option, Franchisee may also send additional personnel to the Initial Training Program. The Initial Training Program may include classroom training, instruction at designated facilities, hands-on training at an operating Sprinkles Cupcakes Bakery, remote training (including via Internet access) and/or self-study programs. The General Manager must complete the Initial Training Program to SFG's satisfaction before the Bakery opens for business. If SFG determines that any of Franchisee's personnel cannot complete the Initial Training Program to SFG's satisfaction, then in addition to its other rights and remedies, SFG may require such personnel to attend additional training programs at Franchisee's expense (for which SFG may charge reasonable fees).

4.B. **Pre-Opening Training Team.** If on the Opening Date the Bakery is one of the first two (2) Sprinkles Cupcakes Bakeries that Franchisee and its affiliates then operate, then SFG will send a training team of four (4) individuals whom SFG chooses (the "**Training Team**") for a period of three (3) weeks, beginning two (2) weeks before the Opening Date and continuing one (1) week after the Opening Date to assist with training on brand standard issues. SFG will determine the individual(s) comprising the Training Team in its sole judgment.

4.C. **Certified Training Bakery.** Within one hundred and eighty (180) days after the Opening Date Franchisee agrees to complete (or to cause its affiliate to complete) to SFG's satisfaction the necessary brand standards training, attain the minimum benchmarks, and complete the other tasks that SFG then specifies in order for it to designate one of Franchisee's or its affiliate's operating Production Bakeries as a "**Certified Training Bakery,**" and the General Manager or another of Franchisee's or its affiliate's employees of the Certified Training Bakery whom Franchisee chooses as the "**Certified Training Manager.**" Once Franchisee (or its affiliate) has attained these certifications, if the Certified Training Bakery loses that certification or otherwise fails to meet SFG's minimum benchmarks to retain that certification, or if the Certified Training Manager's employment at the Certified Training Bakery ends or the Certified Training Manager otherwise loses that certification, then within sixty (60) days thereafter, Franchisee agrees to complete (or to cause its affiliate to complete) the tasks necessary for SFG to

once again have one of its Production Bakeries designated as a Certified Training Bakery and for one of that bakery's personnel to be designated as the Certified Training Manager. The Certified Training Manager and the General Manager are responsible for properly training all other personnel at Franchisee's (and, if applicable, its affiliates') Sprinkles Cupcakes Bakeries.

4.D. Ongoing Training. During the Term, SFG may require Franchisee and/or its personnel, including the General Manager, to attend and satisfactorily complete various training courses and programs and evaluation programs, including online training, that SFG chooses to provide periodically at the times and locations SFG designates. At SFG's option, Franchisee must acquire the equipment, technology, and other products and services that SFG periodically specifies (and pay all associated fees) in order to participate in the learning management platform or other Bakery training system that SFG periodically designates. Franchisee's personnel whom SFG periodically specifies also must attend any conventions or other programs that SFG periodically specifies for some or all Sprinkles Cupcakes Bakeries.

4.E. Fees and Expenses During Training. SFG will provide the Initial Training Program to four (4) individuals associated with the Bakery at no charge, but Franchisee must pay the initial training fee that SFG specifies for any additional individuals attending the Initial Training Program. SFG will not charge a fee for the Training Team. Franchisee also agrees to pay the training fees that SFG periodically specifies for any ongoing training and evaluation programs that SFG provides. Franchisee also will be responsible for its and its personnel's travel, living and other expenses (including local transportation expenses) and compensation incurred in connection with attendance at any training courses and programs, conventions or work at any Sprinkles Cupcakes Bakery that is part of their development.

4.F. General Guidance. SFG will advise Franchisee from time to time regarding the Bakery's operation based on Franchisee's reports or SFG's inspections, including with respect to standards, specifications, operating procedures and methods that Sprinkles Cupcakes Bakeries use, purchasing required or recommended Operating Assets and other products, and administrative, bookkeeping and accounting procedures. SFG's will guide Franchisee in SFG's operating manual and/or other manuals (collectively, the "**Operations Manual**"); in bulletins or other written materials; by electronic media; by telephone consultation; and/or at SFG's office or the Bakery. If Franchisee requests and SFG agrees to provide additional or special guidance, assistance or training, Franchisee must pay SFG's then applicable charges, including per diem charges and any travel and living expenses for SFG's personnel. Any specific ongoing training, conventions, advice or assistance that SFG provides does not create an obligation to continue providing that specific training, convention, advice or assistance, all of which SFG may discontinue and modify at any time.

4.G. Operations Manual and System Standards. SFG will provide Franchisee access to the Operations Manual for use in operating the Bakery during the Term. The Operations Manual might include written or intangible materials and may be made available to Franchisee by various means. At SFG's option, SFG may post the Operations Manual on the System Website or another restricted website to which Franchisee will have access, in which event Franchisee must periodically monitor the website for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on such a website will be deemed to be part of Confidential Information (defined in Section 11.A). The

Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules that SFG periodically specifies for developing and/or operating a Sprinkles Cupcakes Bakery (“**System Standards**”) and information on Franchisee’s other obligations under this Agreement. SFG may modify the Operations Manual periodically to reflect changes in System Standards. Franchisee agrees to keep its copy of the Operations Manual current and communicate all updates to its employees in a timely manner. In addition, Franchisee agrees to keep any paper copy of the Operations Manual it maintains in a secure location at the Bakery. If there is a dispute over its contents, SFG’s master copy of the Operations Manual controls. Franchisee agrees that the contents of the Operations Manual are confidential and that Franchisee will not disclose the Operations Manual to any person other than Bakery employees who need to know its contents. Franchisee may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual, except as SFG periodically authorizes for training and operating purposes.

4.H. Delegation of Performance. SFG may delegate the performance of any portion or all of its obligations under this Agreement to its affiliates or other third party designees, whether these designees are SFG’s agents or independent contractors with whom SFG contracts to perform these obligations.

5. Fees.

5.A. Initial Franchise Fee. On the Agreement Date, Franchisee agrees to pay SFG an initial franchise fee in the amount equal to Forty Thousand Dollars (\$40,000), less any amount credited toward the initial franchise fee pursuant to an effective Development Rights Agreement between SFG and Franchisee (or its affiliate). This initial franchise fee is fully earned by SFG when Franchisee sign this Agreement and is not refundable under any circumstances.

5.B. Royalty. Franchisee agrees to pay SFG, on or before the day of each week that SFG periodically specifies (the “**Payment Day**”), a royalty (“**Royalty**”) in an amount equal to five percent (5%) of the Gross Sales (defined below) of the Bakery during the previous week.

5.C. Definition of Gross Sales. In this Agreement, “**Gross Sales**” means all revenue that Franchisee receives or otherwise derives directly or indirectly from operating the Bakery, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including (i) any implied or imputed Gross Sales from any business interruption insurance; (ii) all revenue from selling products intended for off-premises consumption or use and from providing Delivery Service (as defined below); and (iii) any implied or imputed Gross Sales (at the actual retail selling price) for products and services provided to charities, schools, and other organizations of a reduced price or without charge for marketing or customer relations purposes (“**Comp Sales**”), but only to the extent that the Comp Sales exceed one percent (1%) of the Bakery’s other Gross Sales during the applicable period. However, “Gross Sales” shall exclude (1) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; (2) any bona fide refunds and credits that are actually provided to customers; and (3) the face value of coupons or discounts that customers redeem. Each charge or sale upon credit shall be treated as a sale for the full price on the day during which such charge or sale is made, irrespective of when Franchisee receives payment (whether full or partial, or at all) on that sale. Amounts paid by gift certificate, gift card, stored value card or

similar program are included in Gross Sales when the gift certificate, other instrument or applicable credit is redeemed.

5.D. Automatic Debit. Franchisee must sign and deliver to SFG the documents SFG periodically requires to authorize SFG to debit Franchisee's bank account automatically for the Royalty, Brand Fund (defined in Section 7.B) contribution, and other amounts due under this Agreement or any related agreement between SFG (or its affiliates) and Franchisee. Franchisee agrees to make the funds available for withdrawal by electronic transfer before each due date. If Franchisee fails to report the Bakery's Gross Sales, SFG may debit Franchisee's account for one hundred twenty percent (120%) of the last Royalty and Brand Fund contribution that SFG debited. If the amounts that SFG debits from Franchisee's account are less than the amounts Franchisee actually owes SFG (once SFG has determined the Bakery's actual Gross Sales), SFG will debit Franchisee's account for the balance, plus interest due under Section 5.E, on the day SFG specifies. If the amounts that SFG debits from Franchisee's account are greater than the amounts Franchisee actually owes SFG (once SFG has determined the Bakery's actual Gross Sales), SFG will credit the excess (without interest) against the amounts SFG otherwise would debit from Franchisee's account during the following week(s). SFG may periodically change the mechanism for Franchisee's payments of Royalties, Brand Fund contributions and other amounts Franchisee owes to SFG and its affiliates under this Agreement or any related agreement. Franchisee may not subordinate to any other obligation its obligation to pay Royalties or any other fee or charge under this Agreement.

5.E. Interest on Late Payments. All amounts which Franchisee owes SFG, if not paid (or made available for withdrawal from Franchisee's bank account if SFG is then collecting those amounts by automatic debit) by the due date, will bear interest beginning on their due date at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. Franchisee acknowledges that this Section 5.E is not SFG's agreement to accept any payments after they are due or SFG's commitment to extend credit to, or otherwise finance Franchisee's operation of, the Bakery. Franchisee's failure to pay all amounts that it owes SFG when due constitutes grounds for SFG's terminating this Agreement under Section 15, notwithstanding this Section 5.E.

5.F. Taxes on Franchisee's Payments. In addition to any sales, use, excise, privilege or other transaction taxes that applicable law requires or permits SFG to collect from Franchisee for the sale, lease or other provision of goods or services under this Agreement, Franchisee shall pay SFG an amount equal to all federal, state, local or foreign (a) sales, use, excise, privilege, occupation or any other transactional taxes, and (b) other taxes or similar exactions, no matter how designated, that are imposed on SFG or that SFG is required to withhold in connection with the receipt or accrual of Royalties or any other amounts payable by Franchisee to SFG under this Agreement, excluding only taxes imposed on SFG for the privilege of conducting business and calculated with respect to SFG's net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts taxes imposed on SFG or its affiliates for Franchisee's payments intended to reimburse SFG or its affiliates for expenditures incurred for Franchisee's benefit and on its behalf. Franchisee shall make any additional required payment pursuant to this Section in an amount necessary to provide SFG with after-tax receipts (taking into account any additional payments required hereunder) equal to the same amounts that SFG would

have received under this Agreement if such additional tax liability or withholding had not been imposed or required.

6. Bakery Operation and System Standards.

6.A. Condition and Appearance of Bakery.

(1) Franchisee agrees that it will not use the Bakery or any part of the Site (including any parking area and any adjacent location with a common entrance) for any purpose other than operating a Sprinkles Cupcakes Bakery in compliance with this Agreement. Franchisee must place or display at the Site (interior and exterior) only those signs, logos and display and advertising materials that SFG periodically requires or authorizes during the Term. Franchisee further agrees to maintain the condition and appearance of Franchisee's Bakery, its Operating Assets and the Site (including any parking area) in accordance with SFG's System Standards. Without limiting that obligation, Franchisee agrees to take, without limitation, the following actions during the Term at its expense: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Site at intervals that SFG may periodically designate and at SFG's direction; (b) interior and exterior repair of the Site as needed; and (c) repair or replacement, at SFG's direction, of damaged, worn-out or obsolete Operating Assets at intervals that SFG may periodically specify (or, if SFG does not specify an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced).

(2) In addition to Franchisee's obligations in Subsection (1) above, once during the Term, SFG may require Franchisee to substantially alter the Bakery's and the Site's appearance, branding, layout and/or design, and/or replace a material portion of the Operating Assets, in order to meet SFG's then current requirements for new similarly situated Sprinkles Cupcakes Bakeries. Franchisee acknowledges that this obligation could result in its making extensive structural changes to, and significantly remodeling and renovating, the Bakery, and/or in its spending substantial amounts for new Operating Assets, and Franchisee agrees to incur any capital expenditures required in order to comply with this obligation and SFG's requirements, provided that Franchisee's out-of-pocket costs to comply with the obligations in this Subsection (2) shall not exceed One Hundred Thousand Dollars (\$100,000). Within sixty (60) days after receiving written notice from SFG, Franchisee must have plans prepared according to the standards and specifications SFG prescribes and, if SFG requires, using architects and contractors SFG approves, and Franchisee must submit those plans to SFG for its approval. Franchisee must complete all work according to the plans SFG approves within the time period that SFG reasonably specifies. However, nothing in this paragraph in any way limits Franchisee's obligation to comply with all mandatory System Standards that SFG periodically specifies.

6.B. Products and Services the Bakery Offers. Franchisee agrees that: (1) the Bakery must offer all products (including menu items and items for retail sale) and services that SFG periodically specifies as being mandatory; (2) Franchisee may not offer, sell, or otherwise provide at the Bakery, the Site or any other location any products or services that SFG has not authorized; (3) Franchisee must discontinue offering, selling or otherwise providing any products or services that SFG at any time disapproves in writing; (4) Franchisee may not sell any products (including

any Proprietary Mixes) at wholesale without SFG's prior written consent; and (5) Franchisee may not offer products or services from any location other than the Site (including at any off-site Cupcake ATM, unless required or otherwise approved by SFG, or other means of remote distribution). SFG or its affiliates may enter into agreements with third parties relating to the sale and distribution of cupcakes and/or other products prepared by one or more Sprinkles Cupcakes Bakeries, including a third party's establishment and maintenance of Cupcake ATMs (the "**Distribution Arrangements**"). Franchisee agrees, to the maximum extent the law allows, to comply with and otherwise honor the terms of any Distribution Arrangement SFG periodically specifies.

6.C. Proprietary Mixes.

(1) If the Bakery is a Production Bakery, then Franchisee must prepare all Proprietary Mixes at the Bakery in accordance with the System Standards. Franchisee must purchase all components of the Proprietary Mixes only from the supplier and/or distributor who SFG periodically designates, who may be SFG or its affiliate. The Bakery may not sell or transfer any Proprietary Mixes (or any components thereof) to any other person or entity, except to a Pantry Bakery that Franchisee or its affiliate owns and operates under a franchise agreement with SFG. Franchisee must comply with all System Standards relating to the preparation, packaging and delivery of Proprietary Mixes to that Pantry Bakery.

(2) If the Bakery is a Pantry Bakery, then Franchisee must acquire all Proprietary Mixes only from a Production Bakery that Franchisee or its affiliate owns and operates under a franchise agreement with SFG.

6.D. Approved Products, Distributors and Suppliers. SFG reserves the right to periodically designate and approve standards, specifications, suppliers and/or distributors of the Operating Assets and other products and services that SFG periodically authorizes for use at or sale by the Bakery. During the Term Franchisee must purchase or lease all Operating Assets and other products and services for the Bakery only according to the System Standards and, if SFG requires, only from suppliers or distributors that SFG designates or approves (which may include or be limited to SFG or its affiliates). SFG and/or its affiliates may derive revenue based on Franchisee's purchases and leases, including from charging Franchisee for products and services that SFG or its affiliates provide to Franchisee and from promotional allowances, volume discounts and other payments made to SFG by suppliers and/or distributors that it designates or approves for some or all of its franchisees. SFG and its affiliates may use all amounts received from suppliers and/or distributors, whether or not based on Franchisee's or other franchisees' actual or prospective dealings with them, without restriction for any purposes SFG or its affiliates deem appropriate.

If Franchisee wants to use any Operating Assets or other products or services for or at the Bakery that SFG has not yet evaluated, or purchase or lease any Operating Assets or other products or services from a supplier or distributor that SFG has not yet approved (for Operating Assets or other products and services that SFG requires Franchisee to purchase only from designated or approved suppliers or distributors), Franchisee first must submit sufficient information, specifications and samples for SFG to determine whether the product or service complies with SFG's standards and specifications and/or the supplier or distributor meets SFG's criteria. For each

supplier, distributor, or product Franchisee submits for SFG's review, Franchisee must pay SFG a reasonable fee in the amount SFG periodically specifies to partially cover inspection and evaluation costs. SFG may condition its approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria. SFG has the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product or other samples, at its option, either directly to SFG or to any independent laboratory that SFG designates for testing. SFG reserves the right periodically to re-inspect the facilities, products and services of any approved supplier or distributor and to revoke its approval of any supplier, distributor, product or service that does not continue to meet its criteria. Notwithstanding the foregoing, Franchisee agrees that SFG may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use, and/or refuse any of Franchisee's requests for any reason, including if SFG has already designated an exclusive source (which might be its affiliate) for the applicable product or service or if SFG believes that doing so is in the best interests of the Sprinkles Cupcakes Bakery network.

6.E. Guest Services. SFG may provide certain guest services for the Bakery, which may include the Ordering Systems (defined below), a back-of-house customer service center, and remote payment processing (as SFG may periodically modify them, collectively, the "**Guest Services**"), for which SFG may charge Franchisee reasonable fees. "**Ordering Systems**" means any customer ordering processes that SFG periodically specifies in which all or certain Sprinkles Cupcakes Bakeries participate, including a proprietary web-based system and online ordering platform (the "**Sprinkles Web Platform**"), call-center and app-based ordering processes, and any other program or system that SFG may periodically specify. Franchisee agrees to accept and fulfill all orders the Bakery receives through the Ordering Systems in accordance with this Agreement and all applicable System Standards to the maximum extent the law allows. SFG may periodically modify any Guest Services, the Sprinkles Web Platform and any Ordering Systems, including the services provided, and may periodically stop providing any or all Guest Services, Sprinkles Web Platform access or services, and Ordering Systems upon notice to Franchisee.

6.F. Delivery Service. Franchisee shall provide, and/or contract with one or more third parties whom SFG designates or approves (which may include or be limited to SFG or its affiliates) to provide, Delivery Service from the Bakery in accordance with all applicable terms and conditions of this Agreement, including all applicable System Standards. "**Delivery Service**" means the delivery of food products that are fully prepared at the Bakery and ready for consumption to customers at locations other than the Site. Franchisee shall use (or ensure that a third party uses) only the delivery methods that SFG periodically specifies or approves. Franchisee shall not establish another outlet or property (other than the Site) for use in connection with Delivery Service and may not provide Delivery Service to customers at Non-Traditional Locations without SFG's prior written consent.

SFG will determine, and thereafter may periodically modify, the geographic area within which Franchisee will provide Delivery Service, but Franchisee shall not receive any exclusive, protected or other territorial rights with respect to deliveries in that geographic area. Franchisee must ensure that its customers receive at all times high quality food and beverage products prepared and maintained in accordance with System Standards. Franchisee shall maintain (or

ensure that a third party service provider maintains) the condition and appearance of, and performs maintenance with respect to, vehicles, serveware and equipment used in connection with the provision of Delivery Services in accordance with System Standards. If Franchisee or its affiliate provides Delivery Services directly, Franchisee shall ensure that all delivery drivers strictly comply with all applicable laws and maintain adequate motor vehicle liability insurance in the amounts that SFG periodically specifies. If Franchisee fails to comply with any provision of this Agreement, including any System Standard, pertaining to Delivery Service, then in addition to any other rights and remedies that SFG might have (including the right to terminate this Agreement pursuant to Section 15.B, if applicable), SFG may temporarily suspend or permanently terminate Franchisee's right to provide Delivery Service or temporarily or permanently restrict the geographic area within which Franchisee may provide Delivery Service. Franchisee acknowledges and agrees that the SFG and its affiliates may provide, or authorize others to provide, Delivery Services within the Territory.

6.G. Compliance with Laws and Good Business Practices. Franchisee must secure and maintain in force throughout the Term all required licenses, permits and certificates relating to the Bakery's operation and operate the Bakery (including Delivery Service) in full compliance with all applicable laws, ordinances and regulations, including Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and any other federal, state, or local law, ordinance, regulation, policy, list or other requirement of any governmental authority addressing or in any way relating to terrorist acts or acts of war ("**Anti-Terrorism Laws**"). Without limiting the foregoing, Franchisee represents and warrants to SFG that none of Franchisee's (or its Owners') property or interests is subject to being blocked under, and Franchisee and its Owners otherwise are not in violation of, any Anti-Terrorism Law. The Bakery must in all dealings with its customers, prospective customers, suppliers, SFG and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which might injure SFG's business or reputation or the goodwill associated with the Marks or other Sprinkles Cupcakes Bakeries. Franchisee must notify SFG in writing within five (5) days of: (1) the commencement of any action, suit or proceeding relating to the Bakery; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which might adversely affect Franchisee's operation or financial condition or that of the Bakery; and (3) any notice of violation or alleged violation of any law, ordinance or regulation relating to the Bakery.

6.H. Insurance. During the Term Franchisee must maintain in force at Franchisee's sole expense the insurance coverage for the Bakery (including the Delivery Service) in the amounts, covering the risks, and containing only the exceptions and exclusions that SFG periodically specifies for similarly situated Sprinkles Cupcakes Bakeries. All of Franchisee's insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as SFG periodically specifies). These insurance policies must be in effect on or before the deadlines SFG specifies. All coverage must be on an "occurrence" basis, except for employment practices liability insurance coverage, which is on a "claims made" basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that SFG or its affiliates maintain. All coverage must provide for waiver of subrogation in favor of SFG and its affiliates. SFG may, upon at least sixty (60) days' notice to Franchisee, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher

damage awards or other relevant changes in circumstances. All insurance policies must name SFG and any affiliates it designates as an additional insured and provide for thirty (30) days' prior written notice to SFG of a policy's material modification or cancellation. Franchisee agrees periodically to send SFG a valid certificate of insurance or duplicate insurance policy evidencing that Franchisee has maintained the required coverage and paid the applicable premiums. If Franchisee fails to obtain or maintain (or to prove that it has obtained or maintained) the insurance SFG specifies, in addition to its other remedies, SFG may (but need not) obtain such insurance for Franchisee and the Bakery on Franchisee's behalf, in which event Franchisee shall cooperate with SFG and reimburse SFG for all premiums, costs and expenses it incurs in obtaining and maintaining the insurance.

6.I. Compliance With System Standards. Franchisee acknowledges and agrees that operating and maintaining the Bakery according to System Standards, as SFG may periodically modify and supplement them, are essential to preserve the goodwill of the Marks and all Sprinkles Cupcakes Bakeries. Therefore, Franchisee agrees at all times to operate and maintain the Bakery according to each and every System Standard, as SFG periodically modifies and supplements them. System Standards may (except as specifically set forth below) regulate any aspect of the Bakery's development, operation and maintenance, including any one or more of the following:

- (1) sales, marketing, advertising, promotional and public relations programs and materials for the Bakery and media used in these programs, including participation in and compliance with the requirements of any special advertising, marketing, promotional and public relations programs that SFG periodically specifies in which all or certain Sprinkles Cupcakes Bakeries participate, such as standards for participating in charitable and public relations programs, as SFG periodically modifies them;
- (2) standards, requirements and procedures for participating in, and accepting and fulfilling orders through, the Ordering Systems;
- (3) standards, requirements and procedures for operating Cupcake ATMs and/or fulfilling orders in connection with the Distribution Arrangements, as SFG may require or allow in its sole judgement;
- (4) required standards and procedures for preparing, packaging, and presenting products;
- (5) the design and appearance of the Bakery and its Operating Assets, including the Bakery's branding and cleanliness and the placement, maintenance, repair and replacement of equipment;
- (6) minimum and required standards and specifications for products, equipment, materials, supplies and services that Franchisee's Bakery uses and/or sells, including ingredients and methods of preparing food and beverage products;
- (7) participation in and requirements for group purchasing programs for certain Operating Assets and/or other products and services that Sprinkles Cupcakes Bakeries use or sell;

(8) maximum, minimum or other pricing requirements for products and services that the Bakery offers, including requirements for promotions, special offers and discounts in which some or all Sprinkles Cupcakes Bakeries participate, in each case to the maximum extent the law allows;

(9) requirements for vehicles, training, qualifications, conduct and appearance of personnel, product packaging, format and use of materials and supplies (including display of the Marks thereon), shipping and delivery methods, and other aspects of providing Delivery Services, including restrictions on delivery to customers with whom SFG has an established business relationship;

(10) participation in market research and test programs that SFG periodically requires or approves concerning various aspects of the Franchise System, including new or updated procedures, systems, equipment, signs, trade dress, supplies, marketing materials and strategies, merchandising strategies, products and services;

(11) issuing and honoring gift certificates, gift cards, stored value cards and similar items and participating in other promotions, including any customer loyalty programs and promotions and procedures for resolving customer complaints that SFG periodically specifies;

(12) accepting credit and debit cards and other payment systems, including through the Computer System; and

(13) any other aspects of developing, operating and maintaining the Bakery that SFG determines to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Sprinkles Cupcakes Bakeries.

Franchisee acknowledges that SFG's periodic modification of SFG's System Standards (including to accommodate changes to the Computer System and the Marks), which may accommodate regional and/or local variations, may obligate Franchisee to invest additional capital in the Bakery and incur higher operating costs, and Franchisee agrees to comply with those obligations within the time period SFG specifies. Although SFG retains the right to establish and periodically modify the Franchise System and System Standards that Franchisee has agreed to follow, Franchisee retains the responsibility for the day-to-day management and operation of the Bakery and implementing and maintaining System Standards at the Bakery.

SFG and Franchisee agree that any materials, guidance or assistance that SFG provides with respect to the terms and conditions of employment for Franchisee's employees, employee hiring, firing and discipline, and similar employment-related policies or procedures, whether in the Operations Manual or otherwise, are solely for Franchisee's optional use. Those materials, guidance and assistance do not form part of the mandatory System Standards. Franchisee will determine to what extent, if any, these materials, guidance or assistance should apply to the Bakery's employees. Franchisee acknowledges that SFG does not dictate or control labor or employment matters for franchisees and their employees and will not be responsible for the safety and security of Bakery employees or patrons. Franchisee is solely responsible for determining the terms and conditions of employment for all Bakery employees, for all decisions concerning the

hiring, firing and discipline of Bakery employees, and for all other aspects of the Bakery's labor relations and employment practices.

6.J. Modification of Franchise System. SFG reserves the right to vary the Franchise System and/or System Standards for any Sprinkles Cupcakes Bakery or group of Sprinkles Cupcakes Bakeries based upon the peculiarities of any conditions or factors that SFG considers important to its operations. Franchisee has no right to require SFG to grant Franchisee a similar variation or accommodation.

7. Marketing.

7.A. Grand Opening Marketing Program. Franchisee agrees, at its expense, to implement a grand opening marketing program for the Bakery in accordance with the requirements in the Operations Manual and other System Standards. At least ninety (90) days before the Bakery's planned Opening Date, Franchisee must prepare and submit to SFG for its approval a proposed grand opening marketing program that covers a period before and after the Opening Date that SFG specifies and contemplates spending at least Ten Thousand Dollars (\$10,000). Franchisee must implement the approved grand opening marketing program and, if required by SFG, Franchisee must provide evidence to SFG of Franchisee's approved program expenditures.

7.B. Brand Fund. Upon thirty (30) days' notice to Franchisee, SFG may implement, and thereafter will administer and control, a marketing and brand fund (the "**Brand Fund**") for the advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials for all or a group of Sprinkles Cupcakes Bakeries that SFG periodically deems appropriate. If SFG establishes the Brand Fund, Franchisee agrees to pay SFG, via electronic funds transfer or another payment method SFG specifies and together with each payment of the Royalty, a contribution to the Brand Fund in an amount that SFG periodically specifies, subject to the Marketing Spending Requirement (defined in Section 7.E).

SFG has the right to designate and direct all programs that the Brand Fund finances, with sole control over the creative and business concepts, materials and endorsements used and their geographic, market and media placement and allocation. The Brand Fund may pay for preparing, producing and placing video, audio and written materials, electronic media and Social Media (defined in Section 7.G); developing, maintaining and administering one or more System Websites, including the Sprinkles Web Platform, online sales and customer retention programs, mobile applications, and other technologies used to reach customers and potential customers; developing, maintaining and administering the Guest Services; administering national, regional, multi-regional and local marketing, advertising, promotional and customer relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public and customer relations, market research, and other advertising, promotion, marketing and brand-related activities. The Brand Fund also may reimburse Sprinkles Cupcakes Bakery operators (including SFG and/or its affiliates) for expenditures consistent with the Brand Fund's purposes that SFG periodically specifies. SFG also may implement programs that could be financed by the Brand Fund, but choose to have them financed through other means, such as direct payments by Franchisee and other participating Sprinkles Cupcakes Bakery operators.

SFG will account for the Brand Fund separately from SFG's other funds and not use the Brand Fund to pay any of SFG's general operating expenses, except to compensate SFG and its affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs SFG and they incur in connection with activities performed for the Brand Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the System Website and/or Social Media, developing technologies to be used by the Brand Fund or its programs, collecting and accounting for Brand Fund contributions, and paying taxes on contributions. The Brand Fund is not a trust, and SFG does not owe Franchisee fiduciary obligations because of SFG's maintaining, directing or administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from SFG or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. SFG will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. SFG will prepare an annual, unaudited statement of Brand Fund collections and expenses and give Franchisee the statement upon written request. SFG may have the Brand Fund audited periodically at the Brand Fund's expense by an independent accountant SFG selects. SFG may incorporate the Brand Fund or operate it through a separate entity whenever SFG deem appropriate. The successor entity will have all of the rights and duties specified in this Section 7.B.

SFG intends the Brand Fund to maximize recognition of the Marks and patronage of Sprinkles Cupcakes Bakeries. Although SFG will try to use the Brand Fund to develop and/or implement advertising and marketing materials and programs and for other uses (consistent with this Section 7.B) that will benefit all or certain contributing Sprinkles Cupcakes Bakeries, SFG need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Brand Fund contributions from Sprinkles Cupcakes Bakeries operating in that geographic area, or that any Sprinkles Cupcakes Bakery benefits directly or in proportion to the Brand Fund contributions that it makes. SFG has the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect Brand Fund contributions. SFG also may forgive, waive, settle and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section 7.B, SFG assumes no direct or indirect liability or obligation to Franchisee for maintaining, directing or administering the Brand Fund.

SFG may at any time defer or reduce a Sprinkles Cupcakes Bakery operator's contributions to the Brand Fund and, upon at least thirty (30) days' written notice to Franchisee, reduce or suspend Brand Fund contributions and/or operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If SFG terminates the Brand Fund, SFG will (at its option) either spend the remaining Brand Fund assets in accordance with this Section 7.B or distribute the unspent assets to Sprinkles Cupcakes Bakery operators (including SFG and its affiliates, if applicable) then contributing to the Brand Fund in proportion to their contributions during the preceding twelve (12)-month period.

7.C. Local Marketing. Franchisee agrees at its expense to participate in the manner SFG periodically specifies in all advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs that SFG periodically designates for the Bakery. Franchisee must ensure that all of its advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials that Franchisee or its agents or representatives develop or implement relating to the

Bakery (collectively, “**Local Marketing**”) is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that SFG periodically specifies. Before using them, Franchisee agrees to send to SFG, for its approval, descriptions and samples of all proposed Local Marketing that SFG has not prepared or previously approved within the preceding six (6) months. If Franchisee does not receive written notice of approval from SFG within five (5) business days after SFG receives the materials, they are deemed disapproved. Franchisee may not conduct or use any Local Marketing that SFG has not approved or has disapproved. At SFG’s option, Franchisee must contract with one or more suppliers that SFG designates or approves to develop and/or implement Local Marketing. SFG assumes no liability to Franchisee or any other party due to its specifying any programs or materials or its approval or disapproval of any Local Marketing.

7.D. Advertising Cooperatives. SFG may designate a geographic area in which two (2) or more Sprinkles Cupcakes Bakeries are located as an area for an advertising or marketing cooperative (a “**Cooperative**”). The Cooperative’s members in any area are the owners of all of the Sprinkles Cupcakes Bakeries located and operating in that area (including SFG and its affiliates, if applicable) that SFG has the right to require to participate in the Cooperative. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that SFG determines. SFG may change, dissolve and merge Cooperatives. Each Cooperative’s purpose is, with SFG’s approval, to develop, administer or implement advertising, marketing and promotional materials and programs for the area that the Cooperative covers. If, as of the Agreement Date, SFG has established a Cooperative for the geographic area in which the Bakery is located, or if SFG establishes a Cooperative in that area during the Term, Franchisee agrees to sign the documents that SFG requires to become a member of the Cooperative and to participate in the Cooperative as those documents require. Franchisee agrees to contribute to the Cooperative the amounts that the Cooperative determines, subject to SFG’s approval and the Marketing Spending Requirement.

All material decisions of the Cooperative, including contribution levels (which also require SFG’s approval), will require the affirmative vote of more than fifty percent (50%) of all Sprinkles Cupcakes Bakeries that are required to participate in the Cooperative (including, if applicable, those operated by SFG or its affiliate), with each Sprinkles Cupcakes Bakery receiving one (1) vote. Franchisee agrees to send SFG and the Cooperative any reports that SFG or the Cooperative periodically requires. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials that SFG has not approved.

7.E. Marketing Spending Requirement. The “**Marketing Spending Requirement**” is the maximum amount that SFG can require Franchisee to spend on Brand Fund contributions, Cooperative contributions, and approved Local Marketing for the Bakery during each calendar quarter, and is an amount SFG periodically specifies not to exceed five percent (5%) of the Bakery’s Gross Sales during that calendar quarter. Although SFG may not require Franchisee to spend more than the Marketing Spending Requirement on Brand Fund contributions, Cooperative contributions and approved Local Marketing for the Bakery during any calendar quarter, Franchisee may choose to do so. SFG will not count towards Franchisee’s Marketing Spending Requirement the cost of free or discounted products or services, coupons, special offers or price reductions that Franchisee provides as a promotion, signs, personnel salaries, administrative costs,

employee incentive programs, or other amounts that SFG, in its reasonable judgment, deems inappropriate for meeting the Marketing Spending Requirement. SFG may periodically review Franchisee's books and records and require Franchisee to submit reports periodically to determine its Cooperative contributions and Local Marketing expenses. If Franchisee fails to spend (or prove that it spent) the Marketing Spending Requirement in any quarter, then SFG may, in addition to and without limiting its other rights and remedies, require Franchisee to pay SFG the shortfall as an additional Brand Fund contribution or to pay SFG the shortfall for SFG to spend on Local Marketing for the Bakery.

7.F. System Website. SFG or one or more of its designees may establish a website or series of websites or similar technologies, including mobile applications and other technological advances that perform functions similar to those performed on traditional websites, for the Sprinkles Cupcakes Bakery network to advertise, market and promote Sprinkles Cupcakes Bakeries, the products and services they offer, and the Sprinkles Cupcakes Bakery franchise opportunity; to facilitate the operations of Sprinkles Cupcakes Bakeries (including, at SFG's option, online ordering and/or sales); and/or for any other purposes that SFG determines is appropriate for Sprinkles Cupcakes Bakeries (those websites, applications and other technological advances, including the Ordering Systems and Sprinkles Web Platform, are collectively called the "**System Website**"). If SFG includes information about the Bakery on the System Website, then Franchisee agrees to give SFG the information and materials that SFG periodically requests concerning the Bakery and otherwise participate in the System Website in the manner that SFG periodically specifies. SFG has the final decision concerning all information and functionality that appears on the System Website and will update or modify the System Website according to a schedule that SFG determines. By posting or submitting to SFG information or materials for the System Website, Franchisee is representing to SFG that the information and materials are accurate and not misleading and do not infringe any third party's rights. Franchisee must notify SFG whenever any information about Franchisee or the Bakery on the System Website changes or is not accurate.

SFG owns all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website and all subsidiary websites, the log of "hits" by visitors, and any personal or business data that visitors (including Franchisee, its personnel and its customers) supply. SFG may use the Brand Fund's assets to develop, maintain, support and update the System Website. SFG may implement and periodically modify System Standards relating to the System Website and, at SFG's option, may discontinue all or any part of the System Website, or any services offered through the System Website, at any time.

All Local Marketing that Franchisee develops for the Bakery must contain notices of the System Website in the manner that SFG periodically designates. Franchisee may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes Franchisee, the Bakery or its products or services or that displays any of the Marks. Except for the System Website (if applicable), Franchisee may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without SFG's approval.

Nothing in this Section 7.F shall limit SFG's right to maintain websites and technologies other than the System Website or to offer and sell products or services under the Marks from the System Website, another website or technology, or otherwise over the Internet (including to the Bakery's customers and prospective customers) without payment or obligation of any kind to Franchisee.

7.G. Social Media. Franchisee agrees to comply with SFG's policies and requirements (as SFG periodically modifies them) concerning blogs, common social networks like Facebook, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, "**Social Media**") that in any way reference the Marks or involve the Bakery. Franchisee acknowledges that these policies may involve prohibitions on Franchisee's and its representatives' use of Social Media in connection with the Marks or the Bakery.

8. Records, Reports and Financial Statements

Franchisee agrees to establish and maintain at its own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats that SFG periodically specifies. SFG may require Franchisee to use the Computer System to maintain certain sales and expense data, financial statements, Customer Data and other information, in the formats that SFG periodically specifies, and to transmit that data and information to SFG on a schedule that SFG periodically specifies. At SFG's option, the Computer System must allow SFG unlimited, independent access to, and the ability to download, all information in the Computer System at any time, other than records relating to labor relations and employment practices for Bakery employees (collectively, "**Employment Records**").

Franchisee also agrees to give SFG in the manner and format that SFG periodically specifies:

- (a) on or before the Payment Day of each week, a report on the Bakery's Gross Sales during the previous week;
- (b) within fifteen (15) days after the end of each month, monthly and year-to-date profit and loss and source and use of funds statements and a balance sheet for the Bakery as of the end of the previous month; and
- (c) within fifteen (15) days after SFG's request, exact copies of federal and state income and other tax returns and any other forms, records, reports and other information that SFG periodically requires relating to the Bakery or Franchisee, other than Employment Records.

Franchisee agrees to certify or validate each report and financial statement in the manner that SFG periodically specifies. SFG may disclose data derived from these reports, including by creating and circulating reports on the financial results of the Bakery and/or some or all other Sprinkles Cupcakes Bakeries to other Sprinkles Cupcakes Bakery owners and prospective franchisees.

Franchisee agrees to preserve and maintain all records in a secure location at the Bakery or other safe location during the Term and for at least five (5) years afterward. If SFG determines

that Franchisee has failed to comply with Franchisee's reporting or payment obligations under this Agreement, including by submitting any false reports, SFG may require Franchisee to have audited financial statements prepared annually by a certified public accountant at Franchisee's expense during the remaining Term, in addition to SFG's other remedies and rights under the Agreement and applicable law.

9. Inspections, Evaluations and Audits.

9.A. Inspections and Evaluations. To determine whether Franchisee and the Bakery are complying with this Agreement and all System Standards, SFG and its designated agents and representatives may at all times, and without prior notice to Franchisee: (a) inspect the Bakery and any aspect of its operations; (b) examine and copy the Bakery's business, bookkeeping and accounting records, tax records and returns, and other records and documents (other than Employment Records); (c) observe, videotape or otherwise monitor and/or evaluate (or have Franchisee or a third party observe, videotape or otherwise monitor and/or evaluate), whether on-premises or remotely, the Bakery's operation, including both disclosed and undisclosed or so-called "mystery shopping" evaluations of Bakery operations, for consecutive or intermittent periods SFG deems necessary; and (d) discuss matters with the Bakery's personnel, customers and prospective customers. Franchisee agrees to cooperate with SFG and its designated agents and representatives fully. If SFG exercises any of these rights, SFG will use commercially reasonable efforts not to interfere unreasonably with the Bakery's operation. Franchisee agrees that Franchisee's failure to achieve the minimum quality scores (as described in the Operations Manual) or otherwise satisfy SFG's System Standards in any quality assurance inspection or evaluation conducted with respect to the Bakery is a default under this Agreement. Without limiting SFG's other rights and remedies under this Agreement, Franchisee agrees promptly to correct at its expense all failures to comply with this Agreement (including any System Standards) that SFG's inspectors note within the time period SFG specifies following Franchisee's receipt of SFG's notice, which might include Franchisee's personnel completing additional training at its expense or SFG's conducting additional inspections or evaluations, for which SFG may charge Franchisee a reasonable fee.

9.B. Audits. SFG may at any time during Franchisee's business hours, and without prior notice to Franchisee, examine the Bakery's business, bookkeeping and accounting records, tax records and returns, and other records (other than Employment Records). Franchisee agrees to fully cooperate with SFG's representatives and/or any independent accountants SFG hires to conduct any such inspection or audit. If any inspection or audit discloses an understatement of the Bakery's Gross Sales, Franchisee must pay SFG, within fifteen (15) days after receiving the inspection or audit report, the Royalties, Brand Fund contributions and any other amounts due on the amount of the understatement, plus interest (in the amount described in Section 5.E) from the date originally due until the date of payment. If SFG reasonably determines that an inspection or audit is necessary due to Franchisee's failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, or if SFG's examination reveals a Royalty or Brand Fund contribution understatement exceeding two percent (2%) of the amount that Franchisee actually reported to SFG for the period examined, Franchisee agrees to reimburse SFG for the cost of its examination, including legal fees and independent accountants' fees, plus the travel expenses, room and board, and compensation of SFG'S employees and representatives.

These remedies are in addition to SFG's other remedies and rights under this Agreement and applicable law.

10. Marks.

10.A. Ownership and Goodwill of Marks. Franchisee's right to use the Marks is derived only from this Agreement and is limited to Franchisee's operating the Bakery according to this Agreement and all System Standards SFG implements during the Term. Franchisee's unauthorized use of the Marks is a breach of this Agreement and infringes SFG's and its licensor's rights in the Marks. Franchisee's use of the Marks and any goodwill established by that use are for SFG's and its licensor's exclusive benefit, and this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee (other than the right to operate the Bakery under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks that SFG periodically authorizes Franchisee to use. Franchisee may not at any time during or after the Term contest or assist any other person or Entity in contesting the validity, or SFG's and its licensor's ownership, of the Marks.

10.B. Limitations on Franchisee's Use of Marks. Franchisee agrees to use the Marks as the Bakery's sole identification, subject to the notices of independent ownership that SFG periodically designates. Franchisee may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos SFG has licensed to Franchisee), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address, metatag or otherwise in connection with any Social Media, website or other electronic medium without SFG's consent, or (5) in any other manner SFG has not expressly authorized in writing. Franchisee may not use any Mark in advertising the transfer, sale or other disposition of the Bakery or any direct or indirect Ownership Interest in Franchisee without SFG's prior written consent, which SFG will not unreasonably withhold. Franchisee may not manufacture, use, sell, or distribute, or contract with any party other than SFG's or its affiliate's authorized licensees to manufacture, use, sell, or distribute, any products bearing any of the Marks. Franchisee agrees to display the Marks prominently as SFG periodically specifies at the Bakery and on forms, advertising, supplies, vehicles, employee uniforms and other materials SFG periodically designates. Franchisee agrees to give the notices of trademark and service mark registrations that SFG periodically specifies and to obtain any fictitious or assumed name registrations required under applicable law.

10.C. Notification of Infringements and Claims. Franchisee agrees to notify SFG immediately of any actual or apparent infringement of or challenge to Franchisee's use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than SFG, its licensor, and its and its licensor's attorneys, and Franchisee's attorneys, regarding any infringement, challenge or claim. SFG or its licensor may take the action that SFG or it deems appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding or other proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. Franchisee agrees to sign any documents and take any reasonable actions that, in the opinion of SFG's attorneys, are necessary or advisable to protect and maintain SFG's and its licensor's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain SFG's and its licensor's interests in the

Marks. At its option, SFG or its licensor may defend and control the defense of any litigation or proceeding relating to any Mark.

10.D. Discontinuance of Use of Marks. If SFG believes at any time that it is advisable for SFG and/or Franchisee to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, Franchisee agrees to comply with SFG's directions within a reasonable time after receiving notice. SFG need not reimburse Franchisee for its expenses in complying with these directions (such as costs Franchisee incurs in changing the Bakery's signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for Franchisee's expenses of promoting a modified or substitute trademark or service mark.

10.E. Indemnification for Use of Marks. SFG agrees to reimburse Franchisee for all damages and expenses Franchisee incurs or for which Franchisee is liable in any proceeding challenging Franchisee's right to use any Mark under this Agreement, provided Franchisee's use has been consistent with this Agreement, the Operations Manual and System Standards and Franchisee has timely notified SFG of, and comply with SFG's directions in responding to, the proceeding.

11. Confidential Information, Customer Data and Innovations.

11.A. Confidential Information. SFG and its affiliates possess (and will continue to develop and acquire) certain confidential information relating to the development and operation of Sprinkles Cupcakes Bakeries (the "**Confidential Information**"), including:

- (1) development plans for Sprinkles Cupcakes Bakeries;
- (2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Sprinkles Cupcakes Bakeries, including recipes, food preparation techniques, and formulas for proprietary frostings and mixes;
- (3) the terms of any Distribution Arrangements;
- (4) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Sprinkles Cupcakes Bakeries;
- (5) knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets and other products that Sprinkles Cupcakes Bakeries use and/or sell;
- (6) knowledge of the operating results and financial performance of Sprinkles Cupcakes Bakeries other than the Bakery;
- (7) customer communication and retention programs, along with data used or generated in connection with those programs, including Customer Data; and

(8) any other information SFG reasonably designates from time to time as confidential or proprietary.

Franchisee acknowledges and agrees that by entering into this Agreement and/or acquiring the Bakery, Franchisee will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information that SFG periodically designates in operating the Bakery during the Term and according to the System Standards and this Agreement's other terms and conditions, and that Franchisee's use of any Confidential Information in any other business would constitute an unfair method of competition with SFG and its franchisees. SFG and its affiliates own all right, title and interest in and to the Confidential Information. Franchisee further acknowledges and agrees that the Confidential Information is proprietary, includes SFG's trade secrets, and is disclosed to Franchisee only on the condition that Franchisee and its Owners agree, and Franchisee and they do agree, that Franchisee and its Owners:

(a) will not use any Confidential Information in any other business or capacity, whether during or after the Term;

(b) will keep the Confidential Information absolutely confidential, both during the Term and thereafter for as long as the information is not in the public domain;

(c) will not make unauthorized copies of any Confidential Information disclosed in written or other tangible or intangible form;

(d) will adopt and implement all reasonable procedures that SFG periodically designates to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Bakery personnel and others needing to know such Confidential Information to operate the Bakery, and using confidentiality agreements with those having access to Confidential Information. SFG has the right to regulate the form of agreement that Franchisee uses and to be a third party beneficiary of that agreement with independent enforcement rights; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except during the Term using methods SFG approves.

“Confidential Information” does not include information, knowledge or know-how that is or becomes generally known in the baked-goods industry (without violating an obligation to SFG or its affiliate) or that Franchisee knew from previous business experience before SFG provided it to Franchisee (directly or indirectly) or before Franchisee began training or operating the Bakery. If SFG includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

11.B. Customer Data. Franchisee must comply with SFG's System Standards, other directions from SFG, prevailing industry standards (including payment card industry data security standards), all contracts to which Franchisee is a party or otherwise bound, and all applicable laws and regulations, as any of them may be modified from time to time, regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on Franchisee's Computer System or otherwise in Franchisee's possession or control and, in any event, employ reasonable means to safeguard the

confidentiality and security of Customer Data. “**Customer Data**” means names, contact information, financial information, ordering history and other personal information of or relating to the Bakery’s customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving Franchisee’s Customer Data (a “**Data Security Incident**”), Franchisee must notify SFG immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Data was compromised or disclosed. Franchisee must comply with SFG’s instructions in responding to any Data Security Incident. SFG has the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at Franchisee’s expense.

SFG and its affiliates may, through the Computer System or otherwise, have access to Customer Data. During and after the Term, SFG and its affiliates may make any and all disclosures and use the Customer Data in its and their business activities and in any manner that SFG or they deem necessary or appropriate. Franchisee must secure from its vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to SFG and its affiliates and for SFG and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

11.C. Innovations. All ideas, concepts, techniques or materials relating to a Sprinkles Cupcakes Bakery (collectively, “**Innovations**”), whether or not protectable intellectual property and whether created by or for Franchisee or its Owners, employees or contractors, must be promptly disclosed to SFG and will be deemed to be SFG’s sole and exclusive property, part of the Franchise System, and works made-for-hire for SFG. To the extent any Innovation does not qualify as a work made-for-hire for SFG, by this paragraph Franchisee assigns ownership of that Innovation, and all related rights to that Innovation, to SFG and agrees to sign (and to cause its Owners, employees and contractors to sign) whatever assignment or other documents SFG requests to evidence its ownership or to help SFG obtain intellectual property rights in the Innovation. SFG and its affiliates have no obligation to make any payments to Franchisee or any other person with respect to any Innovations. Franchisee may not use any Innovation in operating the Bakery or otherwise without SFG’s prior approval.

12. Exclusive Relationship.

Franchisee acknowledges that SFG has granted Franchisee the rights under this Agreement in consideration of and reliance upon Franchisee’s and its Owners’ agreement to deal exclusively with SFG in connection with cupcakes, cookies and baked goods or similar food products. Franchisee therefore agrees that, during the Term, neither Franchisee nor any of its Owners, directors or officers, nor any members of Franchisee’s or their Immediate Families (defined below), will:

(a) have any direct or indirect, controlling or non-controlling Ownership Interest – whether of record, beneficial or otherwise – in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not apply to the ownership of shares of a class of securities which are publicly traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;

- (b) perform services as a director, officer, manager, teacher, employee, consultant, representative or agent for a Competitive Business, wherever located or operating;
- (c) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, or lease any real or personal property to, any Competitive Business (whether directly or indirectly through any owner, director, officer, manager, employee or agent of any Competitive Business), wherever located or operating; or
- (d) divert or attempt to divert any actual or potential business or customer of the Bakery to another Competitive Business.

The term “**Competitive Business**” means (1) any bakery or other business that generates, or is reasonably expected to generate, at least twenty percent (20%) of its revenue from the sale of cupcakes, cookies, baked goods or similar food products, whether at wholesale or retail; or (2) an entity that grants franchises or licenses for any of these types of businesses, other than a Sprinkles Cupcakes Bakery operated under a franchise agreement with SFG. The term “**Immediate Family**” includes the named individual, his or her spouse, and all minor children of the named individual or his or her spouse.

13. Transfer.

13.A. Transfer by SFG. Franchisee represents that it has not signed this Agreement in reliance on any direct or indirect owner's, officer's or employee's remaining with SFG in that capacity. SFG may change its ownership or form and/or assign this Agreement and any other agreement between SFG and Franchisee (or any of Franchisee's owners or affiliates) without restriction. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to SFG's interest in it. After SFG's assignment of this Agreement to a third party who expressly assumes its obligations under this Agreement, SFG no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of SFG and novation with respect to this Agreement, and the assignee shall be liable to Franchisee as if it had been an original party to this Agreement.

13.B. Transfer by Franchisee – Defined. Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to Franchisee (or, if Franchisee is an Entity, to its Owners) and that SFG has granted Franchisee the rights under this Agreement in reliance upon SFG's perceptions of Franchisee's (or its Owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither a Control Transfer (defined below) nor a Non-Control Transfer (defined below) may be consummated without SFG's prior written approval and satisfying the applicable conditions of this Section 13, subject to SFG's right of first refusal under Section 13.I. A transfer of the ownership, possession or control of the Bakery or the Operating Assets may be made only with a transfer of this Agreement. Any transfer without SFG's approval is a breach of this Agreement and has no effect.

In this Agreement, “**Control Transfer**” means (i) any transfer (as defined below) of this Agreement or any interest in or rights or obligations under this Agreement, or of the Bakery or all

or substantially all of the Operating Assets; or (ii) any transfer or other transaction, or a series of transfers or other transactions (regardless of the period of time over which they take place), which results in the transfer or creation of a Controlling Ownership Interest in Franchisee, whether directly or indirectly. “**Controlling Ownership Interest**” means either (x) fifty percent (50%) or more of the direct or indirect Ownership Interests in Franchisee, or (y) any Ownership Interest or other direct or indirect right or interest in Franchisee that provides the right, power or authority, whether alone or together with others, to direct and control Franchisee’s management and policies. “**Non-Control Transfer**” means the transfer or creation of any direct or indirect Ownership Interest in Franchisee that is not a Control Transfer.

In this Agreement, the term “**transfer**,” whether or not capitalized, includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events, whether they impact Franchisee (or its Owners) directly or indirectly:

(1) transfer of record or beneficial ownership of any Ownership Interest or the right to receive all or a portion of Franchisee’s profits or losses or any capital appreciation relating to Franchisee or the Bakery (whether directly or indirectly);

(2) a merger, consolidation or exchange of Ownership Interests, or issuance of additional Ownership Interests or securities representing or potentially representing Ownership Interests, or a redemption of Ownership Interests;

(3) any sale or exchange of voting interests or securities convertible to voting interests, or any management agreement or other arrangement granting the right to exercise or control the exercise of the voting rights of any Owner or to control Franchisee’s or the Bakery’s operations or affairs or the rights or responsibilities of the Managing Owner;

(4) transfer of a direct or indirect Ownership Interest or other interest in Franchisee, this Agreement, the Operating Assets, or the Bakery in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(5) if Franchisee or one of its Owners dies, transfer of a direct or indirect Ownership Interest or other interest in Franchisee, this Agreement, the Operating Assets, or the Bakery by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(6) the grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any Ownership Interest or other interest in Franchisee, this Agreement, the Bakery or the Operating Assets; foreclosure upon or attachment or seizure of the Bakery or any of its Operating Assets; or Franchisee’s transfer, surrender or loss of the possession, control or management of all or any material portion of the Bakery (or its operation) or Franchisee.

13.C. Pantry Bakery With Affiliated Production Bakery. If the Bakery is a Pantry Bakery, then Franchisee acknowledges SFG’s current requirement that each Pantry Bakery has an affiliated Production Bakery, owned by the same franchisee (or an affiliate of the franchisee) who owns the Pantry Bakery, from which the Pantry Bakery acquires all of its Proprietary Mixes. SFG believes these requirements are important in order to (among other reasons) maintain consistency and brand

standards in connection with the production and use of Proprietary Mixes. Therefore, if Franchisee or any of its Owners seeks to enter into any Control Transfer or Non-Control Transfer under this Agreement, SFG may condition its approval of that transfer on (in addition to any other conditions set forth in this Agreement) the simultaneous transfer to that transferee of other rights, interests, obligations, assets, and/or Ownership Interests such that, following such transfer, there is a Production Bakery that Franchisee (or one of its affiliates) owns and operates under a franchise agreement with SFG from which Franchisee can acquire all of its Proprietary Mixes.

13.D. Conditions for Approval of Non-Control Transfer. Subject to Section 13.C, SFG will not unreasonably withhold its approval of a Non-Control Transfer if:

(1) Franchisee is then in compliance with all of its obligations under this Agreement and all other agreements with SFG or its affiliate;

(2) Franchisee provides SFG written notice of the proposed transfer and all information SFG reasonably requests concerning the proposed transferee, its direct and indirect owners (if the proposed transferee is an Entity) and the transfer at least thirty (30) days before its effective date;

(3) Franchisee pays SFG a transfer fee of Two Thousand Five Hundred Dollars (\$2,500) to partially cover some of SFG's costs and expenses incurred in evaluating the transferee and the transfer (in addition to any other transfer or other fees payable under any Development Rights Agreement, other franchise agreement, or other agreement with SFG or its affiliate);

(4) Franchisee and Managing Owner sign a general release, in a form satisfactory to SFG, of any and all claims against SFG and its affiliates and its and their respective owners, officers, directors, employees, representatives, agents, successors and assigns;

(5) the proposed transferee and its direct and indirect owners (if the proposed transferee is an Entity) have no direct or indirect Ownership Interest in and do not perform services for a Competitive Business and meet SFG's then applicable standards for non-controlling owners of Sprinkles Cupcakes Bakery franchisees;

(6) beginning when the transfer closes, Franchisee's transferring Owners agree to comply with Sections 16.B(2), 16.C and 16.D;

(7) Franchisee and its Owners sign the form of agreement and related documents (including Guarantees) that SFG then specifies to reflect Franchisee's new ownership structure.

13.E. Conditions for Approval of Control Transfer. Subject to Sections 13.C and 13.I, SFG will not unreasonably withhold SFG's approval of a Control Transfer if:

(1) Franchisee and its Owners satisfy the conditions in Sections 13.D(1) through (5);

(2) the transferee (or its direct or indirect owners) and its management personnel, if they are different from Franchisee's management personnel, including any new Managing Owner and General Manager, satisfactorily complete SFG's then current initial training program applicable to the individual's position, which at SFG's option might include both preliminary training before the transfer's closing and additional training after the transfer's closing;

(3) the transferee (if the transfer is of this Agreement) or Franchisee (if the transfer is of a direct or indirect Ownership Interest in Franchisee) agrees to repair and/or replace the Operating Assets and upgrade the Bakery and the Site in accordance with SFG's then current requirements and specifications for new similarly situated Sprinkles Cupcakes Bakeries within the time period that SFG specifies following the effective date of the transfer;

(4) the transferee (if the transfer is of this Agreement) or Franchisee (if the transfer is of a direct or indirect Ownership Interest in Franchisee) agrees, at SFG's option, to (a) be bound by all terms and conditions of this Agreement for the remainder of the term, or (b) sign SFG's then current form of franchise agreement and related documents, which may contain terms and conditions (including the fees) that differ materially from any or all of those in this Agreement, except that the term of such franchise agreement shall be the remaining term of this Agreement;

(5) Franchisee or the transferee pays SFG a transfer fee to partially cover some of SFG's costs and expenses incurred in evaluating the transferee and the transfer (in addition to any other transfer or other fees payable under any Development Rights Agreement, other franchise agreement, or other agreement with SFG or its affiliate) in an amount equal to twenty-five percent (25%) of the then current initial franchise fee; and

(6) SFG has determined that the purchase price and payment terms will not adversely affect the operation of the Bakery, and if Franchisee or its Owners finance any part of the purchase price, Franchisee and they agree that all obligations under promissory notes, agreements or security interests reserved in the Bakery are subordinate to the transferee's obligation to pay all amounts due to SFG and its affiliates and otherwise to comply with this Agreement.

If the proposed transfer is to or among Franchisee's Owners or Immediate Family members, then Subsection (5) will not apply, although Franchisee must reimburse SFG for the costs SFG incurs in the transfer, up to the amount of the aggregate transfer fee payable in connection with the transfer. At SFG's sole option, SFG may review all information regarding the Bakery that Franchisee or its Owners give the transferee and give the transferee copies of any reports that Franchisee has given SFG or SFG has made regarding the Bakery. Franchisee acknowledges that SFG has legitimate reasons to evaluate the qualifications of potential transferees (and their direct and indirect owners) and the terms of the proposed transfer, and that SFG's contact with potential transferees (and their direct and indirect owners) to protect SFG's business interests will not constitute tortious, improper or unlawful conduct.

13.F. Transfer to a Wholly-Owned Entity. Despite Section 13.E, if Franchisee is in full compliance with this Agreement, then upon at least ten (10) days' prior written notice to SFG, Franchisee may transfer this Agreement, together with the Operating Assets and all other assets associated with the Bakery, to an Entity which conducts no business other than the Bakery and, if applicable, other Sprinkles Cupcakes Bakeries and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all Ownership Interests, provided that all of the Bakery's assets are owned, and the Bakery's business is conducted, only by that single Entity. Transfers of direct and indirect Ownership Interests in that Entity are subject to all of the restrictions in this Section 13. Franchisee (including, if Franchisee is a group of individuals, any individual who will not have an Ownership Interest in the transferee Entity), its Owners, and the transferee Entity must sign the form of agreement and related documents (including Guarantees) that SFG then specifies to reflect the assignment of this Agreement to the transferee Entity and a general release, in a form satisfactory to SFG, of any and all claims against SFG and its affiliates and its and their respective owners, officers, directors, employees, representatives, agents, successors and assigns.

13.G. Death or Disability. Upon Franchisee's or its Owner's death or disability, Franchisee's or the Owner's executor, administrator, conservator, guardian or other personal representative (the "**Representative**") must transfer Franchisee's interest in this Agreement, the Operating Assets and the Bakery, or such Owner's direct or indirect Ownership Interest in Franchisee, to a third party whom SFG approves. That transfer (including transfer by bequest or inheritance) must occur within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 13. A failure to transfer such interest within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or the Owner from supervising Franchisee's or the Bakery's management and operation for thirty (30) or more consecutive days.

13.H. Effect of Consent to Transfer. SFG's consent to any transfer is not a representation of the fairness of the terms of any contract between Franchisee (or its Owner(s)) and the transferee, a guarantee of the Bakery's or transferee's prospects of success, or a waiver of any claims SFG has against Franchisee (or its Owners) or of SFG's right to demand the transferee's full compliance with this Agreement's terms or conditions.

13.I. SFG's Right of First Refusal. If Franchisee or any of its Owners at any time determines to engage in a Control Transfer, whether in one transfer or a series of related transfers, Franchisee agrees to obtain from a responsible and fully disclosed buyer, and send SFG, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement and the Bakery (and its assets) or a direct or indirect Ownership Interest in Franchisee. To be a valid, bona fide offer, the offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to an interest in this Agreement and the Bakery (and its assets) or a direct or indirect Ownership Interest in Franchisee and not to any other interests or assets.

SFG may, by delivering written notice to Franchisee within thirty (30) days after SFG receives both an exact copy of the offer and all other information it requests, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) SFG may substitute cash for any form of consideration proposed in the offer; (2) SFG's credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than sixty (60) days after notifying Franchisee of its election to purchase or, if later, the closing date proposed in the offer, provided that SFG may delay the closing until it obtains all necessary licenses and permits to operate the Bakery; and (4) SFG must receive, and Franchisee and its Owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or Ownership Interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and Ownership Interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or Ownership Interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with the Bakery or Franchisee's business prior to the closing of SFG's purchase. If SFG does not exercise its right of first refusal, Franchisee or its Owners may complete the sale to the proposed buyer on the original offer's terms, but only if SFG approves the transfer as provided in this Section 13. If Franchisee does not complete the sale to the proposed buyer (with SFG's approval) within sixty (60) days after SFG notifies Franchisee that SFG does not intend to exercise its right of first refusal, or if there is a material change in the terms of the offer (which Franchisee must tell SFG promptly), SFG will have an additional right of first refusal during the thirty (30)-day period following either the expiration of the sixty (60)-day period or SFG's receipt of notice of the material change in the offer's terms, either on the terms originally offered or the modified terms, at SFG's option.

SFG may assign its right of first refusal under this Section 13.I to any Entity (who may be SFG's affiliate), and that Entity will have all of the rights and obligations under this Section 13.I.

14. Successor Franchise Rights.

14.A. **Exercise of Successor Franchise Right.** When this Agreement expires (unless it is terminated sooner), if Franchisee satisfies the conditions of this Section 14, Franchisee will have the right to acquire a successor franchise to continue operating the Bakery as a Sprinkles Cupcakes Bakery for one (1) successor franchise term of ten (10) years. However, Franchisee's right to a successor franchise shall only apply if: (1) Franchisee delivers SFG written notice of its election to acquire a successor franchise (the "**Successor Franchise Notice**") at least twelve (12) months, but not more than fifteen (15) months, before the end of the Term; (2) Franchisee has substantially complied with this Agreement throughout the Term and is, both on the date Franchisee gives SFG the Successor Franchise Notice and on the date on which the term of the successor franchise commences, in full compliance with this Agreement, including all System Standards; (3) Franchisee demonstrates that it has the right to maintain possession of the Site for at least ten (10) years following this Agreement's expiration; and (4) on or before the date upon which the successor franchise commences, Franchisee has renovated and/or remodeled the Bakery (which may include structural alterations), added or replaced Operating Assets, and otherwise modified the Bakery as SFG then requires in order to meet SFG's then current requirements for new similarly situated Sprinkles Cupcakes Bakeries.

14.B. Successor Franchise Documents. If Franchisee has satisfied all of the conditions under Section 14.A to acquire the successor franchise, then on or before the date upon which this Agreement expires, Franchisee and its Owners must:

(1) sign SFG's then current form of franchise agreement and related documents to operate the Bakery for the successor franchise term, the provisions of which (including the fees and the rights in, and geographic area comprising, the Territory) may differ materially from any and all of those contained in this Agreement, modified to reflect the fact it is for a successor franchise, except that the term shall be ten (10) years and it will not grant any rights to a renewal or successor franchise;

(2) pay SFG, instead of the initial franchise fee under such successor franchise agreement, a successor franchise fee in an amount equal to fifty percent (50%) of such initial franchise fee; and

(3) sign a general release in the form that SFG specifies as to any and all claims against SFG, its affiliates, and its and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

14.C. Holdover. If this Agreement expires without the grant of a successor franchise and Franchisee fails or refuses to comply with the post-expiration obligations under Section 16, then without limiting SFG's other rights and remedies under this Agreement and applicable law, SFG may, at its sole option, treat the Term as extended on a week-to-week basis until either SFG or Franchisee delivers written notice to the other ending such extension.

15. Termination of Agreement.

15.A. Termination by Franchisee. Franchisee may terminate this Agreement if SFG commits a material breach of any of its obligations under this Agreement and fails to correct such breach within thirty (30) days after Franchisee's delivery of written notice to SFG of such breach; provided, however, that if SFG cannot reasonably correct the breach within this thirty (30)-day period but provides Franchisee, within this thirty (30)-day period, with reasonable evidence of SFG's effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Franchisee's termination of this Agreement (including by taking steps to de-identify the Bakery or otherwise cease operations under this Agreement) other than in accordance with this Section 15.A is a termination without cause and a breach of this Agreement.

15.B. Termination by SFG. SFG may, at its option, terminate this Agreement, effective upon delivery of written notice of termination to Franchisee, if:

(1) Franchisee or any of its Owners has made or makes a material misrepresentation or omission in acquiring any of the rights under this Agreement or operating the Bakery;

(2) Franchisee, its Owner or any Bakery personnel whom SFG requires to attend its Initial Training Program does not satisfactorily complete that training;

(3) Franchisee fails to sign a Lease that SFG has accepted within forty-five (45) days after the Agreement Date or Franchisee fails to open the Bakery in compliance with this Agreement on or before the Opening Deadline;

(4) Franchisee abandons or fails actively to operate the Bakery during the required hours of operation for two (2) or more consecutive calendar days, or for three (3) or more calendar days during any month, unless Franchisee closes the Bakery for a purpose SFG approves or because of fire or other casualty;

(5) Franchisee surrenders or transfers control of its or the Bakery's management or operation without SFG's prior written consent;

(6) Franchisee or any of its Owners is convicted by a trial court of, or pleads no contest to, a felony;

(7) Franchisee or any of its Owners engages in any dishonest, unethical or illegal conduct which, in SFG's opinion, adversely affects the Bakery's reputation, the reputation of other Sprinkles Cupcakes Bakeries or the goodwill associated with the Marks;

(8) Franchisee fails to maintain the insurance SFG requires from time to time and/or Franchisee fails to provide SFG with proof of such insurance as this Agreement requires;

(9) Franchisee interferes with SFG's right to inspect the Bakery or observe its operation or SFG's right to audit Franchisee's books and records;

(10) Franchisee or any of its Owners makes an unauthorized transfer in breach of this Agreement;

(11) if the Bakery is a Pantry Bakery, there ceases to be a Production Bakery that Franchisee (or one of its affiliates) owns and operates under a franchise agreement with SFG from which Franchisee acquires all of its Proprietary Mixes, or Franchisee uses at the Bakery any Proprietary Mixes acquired from any source that SFG has not authorized;

(12) Franchisee provides or distributes any of the Proprietary Mixes (or any components thereof) to any other person or entity who SFG has not authorized;

(13) any other franchise agreement or other agreement between SFG (or any of its affiliates) and Franchisee (or any of its Owners or affiliates), other than a Development Rights Agreement, is terminated before its term expires, regardless of the reason;

(14) Franchisee or any of its Owners, directors or officers (or any members of their Immediate Families) breaches Section 12 or knowingly makes any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(15) Franchisee violates any law, ordinance or regulation relating to the ownership or operation of the Bakery, or operates the Bakery in an unsafe manner, and (if the violation can be corrected) Franchisee does not begin to correct the violation

immediately, and correct the violation fully within seventy-two (72) hours, after Franchisee receives notice of the violation from SFG or any other party;

(16) Franchisee fails to pay when due any federal, state or local income, sales or other taxes due, or repeatedly fails to make or delays making payments to its suppliers or lenders, unless Franchisee is in good faith contesting its liability for these taxes or payments;

(17) Franchisee or any of its Owners fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with any one or more obligations under this Agreement, whether or not any of these failures are corrected after SFG delivers written notice to Franchisee and whether these failures involve the same or different obligations under this Agreement;

(18) Franchisee or any of its Owners fails on two (2) or more separate occasions within any six (6) consecutive month period, or on three (3) or more separate occasions within any thirty-six (36) consecutive month period, to comply with the same obligation under this Agreement, whether or not any of these failures are corrected after SFG delivers written notice to Franchisee;

(19) Franchisee or any Owner makes an assignment for the benefit of creditors or admits in writing Franchisee's or its insolvency or inability to pay Franchisee's or its debts generally as they become due; Franchisee or any Owner consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of Franchisee's or its property; the Bakery or any of the Operating Assets is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of Franchisee, any Owner or the Bakery is not vacated within thirty (30) days following the order's entry;

(20) Franchisee fails to pay SFG (or its affiliates) any amounts due, whether arising under this Agreement or any other agreement, and does not correct the failure within ten (10) days after SFG delivers written notice of that failure to Franchisee; or

(21) Franchisee fails to comply with any other provision of this Agreement or any mandatory System Standard and does not correct the failure within thirty (30) days after SFG delivers written notice of the failure to Franchisee.

15.C. Termination of Other Rights. In addition to and without limiting SFG's other rights and remedies under this Agreement, any other agreement and applicable law, upon the occurrence of any of the events that give rise to SFG's right to terminate this Agreement under Section 15.B or that gives SFG the right to terminate the Development Rights Agreement or any franchise agreement signed pursuant to the Development Rights Agreement, SFG may, at its sole option and upon delivery of written notice to Franchisee, elect to take any or all of the following actions without terminating this Agreement:

(1) eliminate Franchisee's rights, and SFG's (and its affiliates') obligations, under Section 3.A, after which SFG (and its affiliates) may operate, and authorize any other parties to operate a Sprinkles Cupcakes Bakery within the Territory;

(2) temporarily remove information concerning Franchisee or any Franchisee Bakery from the System Website and/or stop Franchisee's participation in any other programs or benefits offered on or through the System Website; and/or

(3) suspend Franchisee's right to receive any services or support that SFG provides to Franchisee under this Agreement or any other agreement, including access to some or all of the Guest Services.

SFG's exercise of its rights under this Section 15.C will not be a defense for Franchisee to SFG's enforcement of any other provision of this Agreement or waive or release Franchisee from any of its other obligations under this Agreement. SFG's exercise of these rights will not constitute an actual or constructive termination of this Agreement nor be SFG's sole or exclusive remedy for Franchisee's default. Franchisee shall continue to pay all fees and otherwise comply with all of its obligations under this Agreement following SFG's exercise of any of these rights. If SFG exercises any of its rights under this Section 15.C, SFG may thereafter terminate this Agreement without providing Franchisee any additional corrective or cure period, unless the default giving rise to SFG's right to terminate this Agreement has been cured to its reasonable satisfaction.

16. Rights and Obligations Upon Termination or Expiration.

16.A. Payment of Amounts Owed. Franchisee agrees to pay within ten (10) days after this Agreement expires or is terminated, or on any later date that the amounts due are determined, all amounts owed to SFG or its affiliates under this Agreement or any related agreement which then are unpaid.

Franchisee acknowledges and confirms that SFG will suffer substantial damages as a result of the termination of this Agreement before the Term expires, including lost future Royalties and Brand Fund contributions, lost market penetration and goodwill, loss of representation in the Bakery's market area, lost opportunity costs, and expenses that SFG will incur in developing or finding another franchisee to develop another Sprinkles Cupcakes Bakery in the Bakery's market area (collectively, "**Brand Damages**"). SFG and Franchisee acknowledge that Brand Damages are difficult to estimate accurately and proof of Brand Damages would be burdensome and costly, although such damages are real and meaningful to SFG. Therefore, upon expiration (without the grant of a successor franchise) or termination of this Agreement for any reason except pursuant to Section 15.A, Franchisee agrees to pay SFG, within fifteen (15) days after the date of such termination, liquidated damages in a lump sum in an amount equal to the product of (1) the average monthly Royalties and Brand Fund contributions that Franchisee owed SFG during the twelve (12) full calendar month period before the month of termination (or such shorter period during which the Bakery operated), multiplied by (ii) thirty-six (36) or the number of months then remaining in the Term had it not been terminated, whichever is less. Franchisee agrees that the liquidated damages calculated under this Section 16.A represent the best estimate of SFG's Brand Damages arising from such termination. Franchisee's payment of the liquidated damages to SFG will not be considered a penalty but, rather, a reasonable estimate of fair compensation to SFG for the

Brand Damages SFG will incur because this Agreement did not continue for the Term's full length. Franchisee acknowledges that its payment of liquidated damages is full compensation to SFG only for the Brand Damages resulting from the early termination of this Agreement and is in addition to, and not in lieu of, Franchisee's obligations to pay other amounts due to SFG under this Agreement as of the date of termination and to comply strictly with the all other provisions of this Section 16. If any valid law or regulation governing this Agreement limits Franchisee's obligation to pay, and/or SFG's right to receive, the liquidated damages for which Franchisee is obligated under this Section 16.A, then Franchisee shall be liable to SFG for any and all Brand Damages that SFG incurs, now or in the future, as a result of Franchisee's breach of this Agreement.

16.B. De-Identification. When this Agreement expires or is terminated for any reason:

(1) Franchisee must take any actions that are required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any of the Marks and, at SFG's option, to assign to SFG (or its designee) or cancel any electronic address, domain name or website, or rights maintained in connection with any search engine or other technology, that directly or indirectly associates Franchisee or the Bakery with SFG, the Marks, the Franchise System or the network of Sprinkles Cupcakes Bakeries;

(2) beginning on the De-identification Date (defined below) or the closing of the acquisition of the Purchased Assets (defined in Section 16.E) under Section 16.E, Franchisee and its Owners shall not directly or indirectly at any time thereafter or in any manner (except in connection with other Sprinkles Cupcakes Bakeries they own and operate): (a) identify itself or themselves or any business as a current or former Sprinkles Cupcakes Bakery or as one of SFG's current or former franchisees or licensees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark, or any other indicia of a Sprinkles Cupcakes Bakery in any manner or for any purpose, including in or on any advertising or marketing materials, forms, or any website, Social Media or other electronic media; or (c) use for any purpose any trade dress, trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with SFG or the network of Sprinkles Cupcakes Bakeries;

(3) within three (3) days after the De-identification Date, Franchisee must remove and deliver to SFG (or, at its option, destroy) all exterior and interior signs, Local Marketing and other advertising, marketing and promotional materials, forms and other documents containing any of the Marks or otherwise identifying or relating to a Sprinkles Cupcakes Bakery; and

(4) within ten (10) days after the De-identification Date, Franchisee must make such alterations as SFG reasonably specifies to distinguish the Bakery (including the on-site Cupcake ATM, if applicable) and its assets clearly from their former appearance as a Sprinkles Cupcakes Bakery and from other Sprinkles Cupcakes Bakeries so as to prevent a likelihood of confusion by the public and otherwise take the steps that SFG specifies to de-identify the Bakery, including permanently removing all Marks and trade dress from the Bakery's walls and altering the Bakery's color scheme, layout and other aspects of the trade dress associated with the Franchise System.

Franchisee must provide SFG written evidence (including pictures, as applicable) of its compliance with this Section 16.B upon SFG's request. If Franchisee fails to comply with any of its obligations under this Section 16.B, then, without limiting SFG's other rights and remedies under this Agreement or applicable law, SFG or its designee may take any action that this Section 16.B requires on Franchisee's behalf and at Franchisee's expense, including by entering the Bakery and adjacent areas, without prior notice or liability, to remove the items and/or make the alterations that this Section 16.B requires. The "**De-identification Date**" means: (i) the closing date of SFG's (or assignee's) purchase of the Purchased Assets pursuant to Section 16.E; or (ii) if that closing does not occur, the date upon which the option under Section 16.E expires or the date upon which SFG provides Franchisee written notice of its decision not to exercise that option, whichever occurs first. If SFG or its assignee acquires the Purchased Assets under Section 16.E, then Franchisee's obligations under Sections 16.B(3) and (4) will be void and of no force or effect.

16.C. Confidential Information. Franchisee agrees that, when this Agreement expires or is terminated, Franchisee and its Owners will immediately cease using any Customer Data and other Confidential Information, whether directly or indirectly through one or more intermediaries, in any business or otherwise and return to SFG all copies of the Operations Manual and any other confidential materials that SFG has loaned Franchisee.

16.D. Covenant Not To Compete. Upon expiration (without the grant of a successor franchise) or termination of this Agreement for any reason except pursuant to Section 15.A, and except with respect to other franchise agreements with SFG then in effect, Franchisee and its Owners agree that, for three (3) years beginning on the effective date of termination or expiration (subject to extension as provided below), neither Franchisee nor any of Franchisee's Owners, nor any members of Franchisee's or their Immediate Families, will:

(1) have any direct or indirect, controlling or non-controlling ownership interest in any Competitive Business which is located or providing products to customers at any location: (a) at the Site; (b) within a ten (10)-mile radius of the Site; or (c) within a ten (10)-mile radius of any Sprinkles Cupcakes Bakery then operating or under construction on the effective date of the termination or expiration, provided that this restriction will not apply to the ownership of shares of a class of securities which are publicly traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding; or

(2) perform services as a director, officer, manager, employee, consultant, representative or agent for a Competitive Business which is located or providing products to customers at any location (a) at the Site; (b) within a ten (10)-mile radius of the Site; or (c) within a ten (10)-mile radius of any Sprinkles Cupcakes Bakery then operating or under construction on the effective date of the termination or expiration.

The time period during which these restrictions apply will be automatically extended, with respect to all persons covered by this Section 16.D, for each day during which any person covered by this Section 16.D is not complying fully with this Section 16.D. These restrictions also apply after transfers and other events, as provided in Section 13, and are in addition to the restrictions in Section 16.F. Franchisee (and each of its Owners) acknowledge that Franchisee (and they) possess skills and abilities of a general nature and have other opportunities for exploiting these skills.

Consequently, SFG's enforcing the covenants made in this Section 16.D will not deprive Franchisee or them of personal goodwill or the ability to earn a living.

16.E. SFG's Right to Purchase Bakery Assets.

(1) **Exercise of Option.** Upon termination of this Agreement for any reason (other than Franchisee's termination in accordance with Section 15.A) or expiration of this Agreement without SFG's and Franchisee's signing a successor franchise agreement, SFG has the option, exercisable by giving Franchisee written notice within fifteen (15) days after the date of termination or expiration (the "**Exercise Notice**"), to purchase those Operating Assets and other assets used in the operation of the Bakery that SFG designates (the "**Purchased Assets**"). SFG has the unrestricted right to exclude any assets it specifies relating to the Bakery from the Purchased Assets and not acquire them. Franchisee agrees to provide SFG the financial statements and other information SFG reasonably requires, and to allow SFG to inspect the Bakery and its assets, to determine whether to exercise SFG's option under this Section 16.E. If Franchisee or one of its affiliates owns the Site, SFG may elect to include a fee simple interest in the Site as part of the Purchased Assets or, at SFG's option, lease the Site from Franchisee or that affiliate for an initial five (5)-year term with one (1) renewal term of five (5) years (at SFG's option) on commercially reasonable terms. Franchisee (and its Owners) agree to cause Franchisee's affiliate to comply with these requirements. If Franchisee leases the Site from an unaffiliated lessor, Franchisee agrees (at SFG's option) to assign the Lease to SFG or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

(2) **Operations Pending Purchase.** While SFG is deciding whether to exercise its option under this Section 16.E, and, if SFG does exercise that option, during the period beginning with its delivery of the Exercise Notice and continuing through the closing of the purchase, Franchisee must continue to operate the Bakery according to this Agreement and all System Standards. However, SFG may, at any time during that period, enter the Bakery's premises and assume the management of the Bakery itself or appoint a third party (who may be its affiliate) to manage the Bakery. All funds from the operation of the Bakery while SFG or its appointee assumes the Bakery's management will be kept in a separate account, and all of the expenses of the Bakery will be charged to that account. SFG or its appointee may charge Franchisee (in addition to the amounts due under this Agreement) a management fee equal to three percent (3%) of the Bakery's Gross Sales during the period of management, plus any direct costs and expenses associated with the management. SFG or its appointee has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses or obligations the Bakery incurs, or to any of Franchisee's creditors for any products or services the Bakery purchases, while managing it. Franchisee shall not take any action or fail to take any action that would interfere with SFG's or its appointee's exclusive right to manage the Bakery.

(3) **Purchase Price.** The purchase price for the Purchased Assets (the "**Purchase Price**") will be their fair market value for use in the operation of a Competitive Business at a location other than the Site, but not a Sprinkles Cupcakes Bakery as a going concern, except that the Purchase Price will not include any value for any rights granted by

this Agreement, goodwill attributable to the Marks, SFG's brand image, any Confidential Information or SFG's other intellectual property rights, or participation in the network of Sprinkles Cupcakes Bakeries.

(4) **Appraisal.** If SFG and Franchisee cannot agree on the Purchase Price for the Purchased Assets, it will be determined by three (3) independent appraisers, each of whom in doing so will be bound by the criteria specified in subparagraph (3). SFG will appoint one appraiser, Franchisee will appoint one appraiser, and these two appraisers will appoint the third appraiser. Franchisee and SFG agree to appoint their respective appraisers within fifteen (15) days after SFG delivers the Exercise Notice (if Franchisee and SFG have not agreed on the Purchase Price before then), and the two appraisers so chosen must appoint the third appraiser within ten (10) days after the last of them is appointed. If either SFG or Franchisee does not appoint their respective appraiser by that deadline, then the other party's appointed appraiser shall be the sole appraiser to determine the Purchase Price under this Subsection (4). SFG and Franchisee each will bear the costs of its own appointed appraiser and share equally the fees and expenses of the third appraiser. Within thirty (30) days after SFG delivers the Exercise Notice, each party shall submit its respective calculation of the Purchase Price to the appraisers in such detail as the appraisers request and according to the criteria specified in subparagraph (3). Within ten (10) days after receiving both calculations, the appraisers shall determine, by a majority vote, and notify Franchisee and SFG which of the calculations is the most correct. The appraisers must choose either Franchisee's or SFG's calculation, and may not develop their own fair market value calculation. The appraisers' choice shall be the Purchase Price.

(5) **Closing.** SFG will pay the Purchase Price at the closing, which will take place within sixty (60) days after the Purchase Price is determined or, if later, on the date upon which SFG obtains licenses and permits to operate the Bakery. SFG may set off against the Purchase Price, and reduce the Purchase Price by, any and all amounts Franchisee owes SFG or its affiliates. SFG is entitled to all customary representations, warranties and indemnities in its asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with the Bakery or Franchisee's business prior to the closing of the purchase. At the closing, Franchisee agrees to deliver instruments transferring to SFG: (a) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to SFG), with all sales and transfer taxes paid by Franchisee; and (b) all of the Bakery's licenses and permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. Franchisee and its Owners further agree to sign general releases, in a form satisfactory to SFG, of any and all claims against SFG and its affiliates and its and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(6) **Assignment.** SFG may assign its rights under this Section 16.E to any Entity (who may be SFG's affiliate), and that Entity will have all of the rights and obligations under this Section 16.E.

16.F. Restriction on Sale of Location. During the Term and for two (2) years beginning on the effective date of expiration (without the grant of a successor franchise) or termination of this Agreement for any reason except pursuant to Section 15.A, and unless the Purchased Assets are acquired under Section 16.E, Franchisee agrees that neither Franchisee nor any of its Owners, nor any of Franchisee's affiliates, will engage in any transfer, lease/sublease or other transaction the result of which is that a Competitive Business (other than the Bakery contemplated by this Agreement) is operated at the Site, including by any unaffiliated third party. Franchisee agrees to obtain (and/or to cause its Owners or affiliates to obtain) an agreement from any subtenant, transferee or other party occupying the Site pursuant to or as a result of any arrangement with Franchisee (or its Owner or affiliate) that the Site will not be operated as a Competitive Business during such period.

16.G. Continuing Obligations. All of SFG's and Franchisee's (and its Owners') obligations under this Agreement which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until these obligations are satisfied in full or by their nature expire.

17. Relationship of the Parties/Indemnification.

17.A. Independent Contractors. Franchisee and SFG understand and agree that this Agreement does not create a fiduciary relationship between them. Franchisee has no authority, express or implied, to act as the agent of SFG or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Bakery and its business, including any personal property, equipment, fixtures or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Bakery. Further, SFG and Franchisee are not and do not intend to be partners, associates, or joint employers in any way, and SFG shall not be construed to be jointly liable for any of Franchisee's acts or omissions under any circumstances. SFG (and its affiliates) will not exercise direct or indirect control over the working conditions of Bakery personnel, except to the extent such indirect control is related to SFG's legitimate interest in protecting the quality of the products and services associated with the Marks. SFG (and its affiliates) do not share or codetermine the employment terms and conditions of the Bakery's employees and do not affect matters relating to the employment relationship between Franchisee and the Bakery's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Franchisee agrees to identify itself conspicuously in all dealings with customers, prospective customers, employees, suppliers, public officials and others as the Bakery's owner under a franchise SFG has granted and to place notices of independent ownership on the forms, business cards, employment materials, advertising and other materials SFG requires from time to time.

17.B. No Liability for Acts of Other Party. SFG and Franchisee agree not to make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other or represent that their relationship is other than franchisor and franchisee. SFG will not be obligated for any damages to any person or property directly or indirectly arising out of the Bakery's operation or the business Franchisee conducts under this Agreement.

17.C. Taxes. SFG will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee or the Bakery, due to the business Franchisee conducts (except any taxes SFG is required by law to collect from Franchisee for purchases from SFG and SFG's income taxes). Franchisee is responsible for paying these taxes.

17.D. Indemnification and Defense of Claims.

(1) Franchisee agrees to indemnify and hold harmless SFG, its affiliates, and its and their respective owners, directors, officers, employees, agents, representatives, successors and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (a) the Bakery's development or operation; (b) the business Franchisee conducts under this Agreement; (c) Franchisee's breach of this Agreement; (d) Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Bakery's construction, design or operation, and including any allegation that SFG or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees; or (e) claims alleging either intentional or negligent conduct, acts or omissions by Franchisee (or its contractors or any of its or their employees, agents or representatives), or by SFG or its affiliates (or its or their contractors or any of its or their employees, agents or representatives), subject to Section 17.D(3). "**Losses**" means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs, including accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(2) Franchisee agrees to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 17.D(1)(a) through (e) above (collectively, "**Proceedings**"), including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at Franchisee's expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 17.D (instead of having Franchisee defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses Franchisee is solely responsible, subject to Section 17.D(3). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee, and Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section 17.D. Franchisee's obligations under this Section 17.D will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

(3) Despite Section 17.D(1), Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for, and SFG will reimburse Franchisee for, any Losses (including costs of defending any Proceeding under Section 17.D(2)) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or SFG's failure to compel Franchisee to comply with this Agreement, which are claims for which Franchisee is not entitled to indemnification pursuant to this Section 17.D(3). However, nothing in this Section 17.D(3) limits Franchisee's obligation to defend SFG and the other Indemnified Parties under Section 17.D(2).

18. Enforcement.

18.A. Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary in this Agreement (including in Section 18.F), each Section, Subsection, paragraph, term and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or arbitrator with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, Franchisee and SFG agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of termination or of SFG's refusal to enter into a successor franchise agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and SFG may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

18.B. Waiver of Obligations and Force Majeure. SFG and Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. But, no interpretation, change, termination or waiver of any of this Agreement's provisions shall be binding upon SFG unless in writing and signed by one of SFG's officers, and which is specifically identified as an amendment, termination or waiver under this Agreement. No modification, waiver, termination, rescission, discharge or cancellation of this Agreement shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge or cancellation. Any waiver SFG grants will be without prejudice to any other rights SFG has, will be subject to its continuing review, and may be revoked

at any time and for any reason, effective upon delivery to Franchisee of ten (10) days' prior written notice.

SFG and Franchisee will not be deemed to waive or impair any right, power or option this Agreement reserves (including SFG's right to demand exact compliance with every term, condition and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice at variance with its terms; SFG's or Franchisee's failure, refusal or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including Franchisee's compliance with any System Standard; SFG's waiver of or failure to exercise any right, power or option, whether of the same, similar or different nature, with other Sprinkles Cupcakes Bakeries; the existence of franchise or license agreements for other Sprinkles Cupcakes Bakeries which contain provisions different from those contained in this Agreement; or SFG's acceptance of any payments due from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to SFG will be a waiver, compromise, settlement or accord and satisfaction. SFG is authorized to remove any legend or endorsement, and they shall have no effect.

Neither SFG nor Franchisee will be liable for loss or damage or be in breach of this Agreement if its failure to perform obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which do not arise from a violation or alleged violation of any law, rule, regulation or ordinance; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties, Brand Fund contributions and other amounts due afterward.

18.C. Costs and Attorneys' Fees. If either SFG or Franchisee initiates a legal proceeding in connection with this Agreement or the relationship of the parties hereto, the non-prevailing party in such proceeding shall reimburse the prevailing party for any costs and expenses that the prevailing party incurs, including reasonable accounting, attorneys', arbitrators' and related fees.

18.D. Applying and Withholding Payments. Despite any designation Franchisee makes, SFG may apply any of Franchisee's payments to any of Franchisee's past due indebtedness to SFG (or its affiliates). SFG may set-off any amounts Franchisee or its Owners owe SFG or its affiliates against any amounts SFG or its affiliates might owe Franchisee or its Owners, whether in connection with this Agreement or otherwise. Franchisee may not withhold payment of any amounts owed to SFG or its affiliates on the grounds of SFG's or their alleged nonperformance of any of its or their obligations under this Agreement or any other agreement.

18.E. Rights of Parties are Cumulative. SFG's and Franchisee's rights under this Agreement are cumulative, and their exercise or enforcement of any right or remedy under this Agreement will not preclude their exercise or enforcement of any other right or remedy under this Agreement which they are entitled by law to enforce.

18.F. Arbitration. All controversies, disputes or claims between SFG (and its affiliates and its and their respective owners, officers, directors, managers, agents and employees, as

applicable) and Franchisee (and its affiliates and its and their respective owners, officers, directors, managers, agents and employees, as applicable) arising out of or related to:

- (1) this Agreement or any other agreement between Franchisee (or its Owners or affiliates) and SFG (or its affiliates) or any provision of any of such agreements (including this Section 18.F);
- (2) the relationship between SFG and Franchisee;
- (3) the scope and validity of this Agreement or any other agreement between Franchisee (or its Owners or affiliates) and SFG (or its affiliates) or any provision of any of such agreements (including the scope and validity of the arbitration obligations under this Section 18.F, which Franchisee and SFG acknowledge is to be determined by an arbitrator and not a court); or
- (4) any System Standard

will be submitted for arbitration to the office of the American Arbitration Association closest to SFG's then current principal business address. Except as otherwise provided in this Agreement, such arbitration proceedings shall be heard by one (1) arbitrator in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association. Arbitration proceedings shall be held at a suitable location to be chosen by the arbitrator which is within ten (10) miles of SFG's principal business address at the time that the arbitration action is filed. The arbitrator has no authority to establish a different hearing locale. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) will be governed by it and not by any state arbitration law.

The arbitrator shall have the right to award or include in his or her award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that: (i) the arbitrator shall not have authority to declare any Mark generic or otherwise invalid; and (ii) except for punitive, exemplary, treble and other forms of multiple damages available to any party under federal law or owed to third parties which are subject to indemnification under Section 17.D, SFG and Franchisee waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, treble or other forms of multiple damages against the other and agree that, in the event of a dispute between them, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.

SFG and Franchisee agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. SFG and Franchisee further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitrator may not consider any settlement discussions or offers that might

have been made by either Franchisee or SFG. SFG reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished SFG's right to seek the recovery of those costs in accordance with Section 18.C.

SFG and Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis, that only SFG (and its affiliates and its and their respective owners, officers, directors, managers, agents and employees, as applicable) and Franchisee (and its affiliates and its and their respective owners, officers, directors, managers, agents and employees, as applicable) may be the parties to any arbitration proceeding described in this Section 18.F, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving SFG and/or any other person or Entity. Notwithstanding the foregoing or anything to the contrary in this Section 18.F or Section 18.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 18.F, then SFG and Franchisee agrees that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 18 (excluding this Section 18.F).

The provisions of this Section 18.F are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Notwithstanding anything to the contrary contained in this Section 18.F, SFG and Franchisee each have the right to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, SFG and Franchisee must contemporaneously submit the dispute for arbitration on the merits according to this Section 18.F.

18.G. Governing Law. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, all controversies, disputes or claims arising from or relating to:

- (1) this Agreement or any other agreement between Franchisee (or its Owners or affiliates) and SFG (or its affiliates);
- (2) the relationship between SFG and Franchisee;
- (3) the validity of this Agreement or any other agreement between Franchisee (or its Owners or affiliates) and SFG (or its affiliates); or
- (4) any System Standard

will be governed by the laws of the State of Texas, without regard to its conflict of laws rules, except that any law regulating the sale of franchises, licenses, or business opportunities, governing the relationship of a franchisor and its franchisee or the relationship of a licensor and its licensee, or involving unfair or deceptive acts or practices will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.G.

18.H. Consent to Jurisdiction. Subject to the arbitration obligations in Section 18.F, Franchisee and its Owners agree that all judicial actions brought by SFG against Franchisee or its Owners, or by Franchisee or its Owners against SFG, its affiliates or its or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where SFG maintains its principal business address at the time that the action is brought. Franchisee and each of its Owners irrevocably submits to the jurisdiction of such courts and waives any objection that any of them may have to either jurisdiction or venue. Notwithstanding the foregoing, SFG may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Franchisee or any of its Owners resides or the Bakery is located.

18.I. Waiver of Punitive Damages and Jury Trial. EXCEPT FOR PUNITIVE, EXEMPLARY, TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AVAILABLE TO ANY PARTY UNDER FEDERAL LAW OR OWED TO THIRD PARTIES WHICH ARE SUBJECT TO INDEMNIFICATION UNDER SECTION 17.D, SFG AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN SFG AND FRANCHISEE (OR FRANCHISEE'S OWNERS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

SFG AND FRANCHISEE (AND FRANCHISEE'S OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER SFG OR FRANCHISEE (OR FRANCHISEE'S OWNERS).

18.J. Binding Effect and Amendment. This Agreement is binding upon SFG and Franchisee and their respective executors, administrators, heirs, beneficiaries, permitted assigns and successors in interest. Subject to SFG's rights to modify the Operations Manual, System Standards and Franchise System, this Agreement may not be amended or modified except by a written agreement signed by both Franchisee and SFG.

18.K. Limitations of Claims. EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS IT OWES SFG, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN SFG AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WILL BE BARRED UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING IS COMMENCED IN THE PROPER FORUM WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

18.L. Construction. The preambles and exhibits are a part of this Agreement which, together with any riders or addenda signed at the same time as this Agreement, constitutes SFG's and Franchisee's entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between them relating to the subject matter of this Agreement.

There are no other oral or written representations, warranties, understandings or agreements between SFG and Franchisee relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that SFG made in the most recent disclosure document (including its exhibits and amendments) that SFG delivered to Franchisee or its representative. Any policies that SFG adopts and implements from time to time to guide SFG in its decision-making are subject to change, are not a part of this Agreement and are not binding on SFG. Except as provided in Sections 17.D and 18.F, nothing in this Agreement is intended nor deemed to confer any rights or remedies upon any person or Entity not a party to this Agreement.

References in this Agreement to SFG, with respect to all of SFG's rights and all of Franchisee's obligations to SFG under this Agreement, include any of SFG's affiliates with whom Franchisee deals in connection with the Bakery. The term "**affiliate**" means any individual or Entity directly or indirectly owned or controlled by, under common control with, or owning or controlling the party indicated. "**Control**" means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of the rights under this Agreement and the Bakery, whether as partners or joint venturers, their obligations and liabilities to SFG will be joint and several. "**Person**" (whether or not capitalized) means any individual or Entity. The term "**Bakery**" includes all of the assets of the Sprinkles Cupcakes Bakery Franchisee operates under this Agreement, including its revenue and income.

The headings of the Sections, Subsections and paragraphs are for convenience only and do not define, limit or construe their contents. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words "**include**," "**including**," and words of similar import shall be interpreted to mean "including, but not limited to" and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter. This Agreement may be executed by electronic signature and/or in multiple copies, each of which will be deemed an original.

18.M. The Exercise of SFG's Judgment. SFG has the right to operate, develop and change the Franchise System and System Standards in any manner that is not specifically prohibited by this Agreement. Whenever SFG has reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, SFG may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on information readily available to SFG and its judgment of what is in the best interests of SFG or its affiliates, the Sprinkles Cupcakes Bakery network generally, or the Franchise System at the time its decision is made, without regard to whether it could have made other reasonable or even arguably preferable alternative decisions or whether its decision promotes SFG's or its affiliates' financial or other individual interest. Except where this Agreement expressly obligates SFG reasonably to approve or not unreasonably to withhold its approval of any of Franchisee's actions or requests, SFG has the absolute right to refuse any request Franchisee makes or to withhold its approval of any of Franchisee's proposed, initiated or completed actions that require its approval.

19. Notices and Payments.

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Operations Manual will be deemed so delivered:

(1) in the case of Royalties, Brand Fund contributions and other amounts due, at the time SFG actually debits Franchisee's account (if SFG institutes an automatic debit program for the Bakery) or receives such amounts;

(2) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or

(3) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid;

and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice and/or, with respect to any approvals or notices that SFG provides to Franchisee or its Owners, at the Bakery's address. Any required payment or report which SFG does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

20. No Waiver or Disclaimer of Reliance in Certain States.

The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by 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 SFG, any franchise seller, or any other person acting on behalf of SFG. This provision supersedes any other term of any document executed in connection with the franchise.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective on the Agreement Date.

SFG:

SPRINKLES FRANCHISE GROUP LLC, a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

**EXHIBIT A
TO THE
SPRINKLES CUPCAKES BAKERY FRANCHISE AGREEMENT**

BASIC TERMS

1. The Bakery is a (check one):
 Production Bakery
 Pantry Bakery
2. The “**Site**” is _____.
3. The “**Territory**” means the area identified as follows: _____
_____.
4. The “**Opening Deadline**” is _____, 20____.
5. The “**Opening Date**” is _____.

SFG

SPRINKLES FRANCHISE GROUP LLC, a
Delaware limited liability company

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

**EXHIBIT B
TO THE
SPRINKLES CUPCAKES BAKERY FRANCHISE AGREEMENT**

OWNERS AND GUARANTORS

OWNERS

The ownership structure for _____ is as follows:

Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____

OFFICERS/EXECUTIVES:

The officers and principal executives for _____ are as follows:

Name: _____	Title: _____
Name: _____	Title: _____
Name: _____	Title: _____

GENERAL MANAGER:

The General Manager is _____.

SFG

SPRINKLES FRANCHISE GROUP LLC, a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

**EXHIBIT C
TO THE
SPRINKLES CUPCAKES BAKERY FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given
_____, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **Sprinkles Franchise Group LLC (“SFG”)**, each of the undersigned personally and unconditionally (a) guarantees to SFG and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the arbitration, non-competition, confidentiality, and transfer requirements.

Each of the undersigned acknowledges that he, she or it is either an owner (whether direct or indirect) of Franchisee or otherwise has a direct or indirect relationship with Franchisee or its affiliates; that he, she or it will benefit significantly from SFG’s entering into the Agreement with Franchisee; and that SFG would not enter into the Agreement unless each of the undersigned agrees to sign and comply with the terms of this Guaranty.

Each of the undersigned consents and agrees that: (1) his, her or its direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he, she or it will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon SFG’s pursuit of any remedies against Franchisee or any other person or entity; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which SFG may from time to time grant to Franchisee or to any other person or entity, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or any of its owners or guarantors, and for so long as SFG has any cause of action against Franchisee or any of its owners or guarantors; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any direct or indirect interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to SFG; (ii) all rights to require SFG to proceed against Franchisee for any payment required under the Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, or any right to participate in, any security now or hereafter held by SFG; and (iv) acceptance and notice of acceptance by SFG of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. SFG shall have no present or future duty or obligation to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to SFG. Without affecting the obligations of the undersigned under this Guaranty, SFG may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Agreement or any indebtedness or obligation of Franchisee, or settle, adjust, release, or compromise any claims against Franchisee or any other guarantor, make advances for the purpose of performing any obligations of Franchisee under the Agreement, and/or assign the Agreement or the right to receive any sum payable under the Agreement, and the undersigned each hereby jointly and severally waive notice of same. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Agreement.

In addition, the undersigned each waive any defense arising by reason of any of the following: (a) any disability, counterclaim, right of set-off or other defense of Franchisee, (b) any lack of authority of Franchisee with respect to the Agreement, (c) the cessation from any cause whatsoever of the liability of Franchisee, (d) any circumstance whereby the Agreement shall be void or voidable as against Franchisee or any of its creditors, including a trustee in bankruptcy of Franchisee, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of the undersigned's obligations hereunder, except that the undersigned do not waive any defense arising from the due performance by Franchisee of the terms and conditions of the Agreement, (f) any right or claim of right to cause a marshaling of the assets of Franchisee or any other guarantor, and (g) any act or omission of Franchisee.

If SFG is required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, SFG shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If SFG is required to engage legal counsel in connection with any failure by the

undersigned to comply with this Guaranty, the undersigned shall reimburse SFG for any of the above-listed costs and expenses it incurs.

Subject to the arbitration obligations and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between SFG and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where SFG maintains its principal business address at the time that the action is brought. Each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he, she or it might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that SFG may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he, she or it is domiciled or has assets. EACH OF THE UNDERSIGNED IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, ARISING UNDER OR RELATING TO THIS GUARANTY OR ITS ENFORCEMENT.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

**PERCENTAGE OF OWNERSHIP IN
FRANCHISEE**

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

**EXHIBIT D
TO THE
SPRINKLES CUPCAKES BAKERY FRANCHISE AGREEMENT**

KEY PERSONNEL AGREEMENT

THIS KEY PERSONNEL AGREEMENT (“Key Personnel Agreement”) is made and entered into as of this _____ day of _____, 20____, regardless of the date of the parties’ signatures, between Sprinkles Franchise Group LLC (“SFG”), and the individuals and/or entities whose names and signatures appear below (collectively, the “**Key Personnel**” or, individually, a “**Key Person**”).

1. SFG and _____ (“**Franchisee**”) have signed, or are considering signing, a Franchise Agreement under which SFG will grant Franchisee the right to develop and operate Sprinkles Cupcakes Bakeries in _____ (the “**Agreement**”). All capitalized terms used but not defined in this Key Personnel Agreement shall have the meanings in the Agreement. Each Key Person acknowledges that (a) he, she or it is an owner (whether direct or indirect) of Franchisee or otherwise has a direct or indirect relationship with Franchisee or its affiliate; (b) he, she or it will benefit significantly from SFG’s entering into the Agreement with Franchisee, and (c) SFG would not enter into or will not enter into (as applicable) the Agreement unless each Key Person agrees to sign and comply with the terms of this Key Personnel Agreement.

2. Each Key Person agrees, on behalf of himself, herself or itself and not on behalf of any other Key Person, that:

(a) during the period of his, her or its association with Franchisee, Key Person agrees to be personally bound by and comply with Sections 6.G, 11.C and 12 of the Agreement;

(b) if Key Person is an Owner, Key Person agrees to be personally bound by and comply with Sections 13.B, 13.C, 13.D, 13.E, 13.G and 13.I of the Agreement;

(c) beginning with the date upon which the Agreement expires or terminates or the date upon which Key Person has no further association with Franchisee (whether as an Owner, officer, manager and/or key employee or otherwise), whichever is earlier, Key Person agrees to be personally bound by and comply with Sections 16.B(2) and 16.D of the Agreement; and

(d) during the period beginning on the date of this Key Personnel Agreement and ending on the date upon which these obligations are satisfied in full or by their nature expire, Key Person agrees to be personally bound by and comply with Section 11.A of the Agreement.

3. Each Key Person represents and warrants to SFG that he, she or it has reviewed the Agreement and understands the obligations arising under this Key Personnel Agreement. The

obligations described the Sections of the Agreement listed above shall apply to each Key Person pursuant to this Key Personnel Agreement, regardless of whether those obligations (as they appear in the Agreement) are imposed upon Franchisee, its Owners, or both, as if Key Person were the Franchisee under the Agreement. The liabilities and obligations arising under Section 2 of this Key Personnel Agreement are independent liabilities and obligations of each Key Person and are not contingent or conditioned upon SFG's pursuit of any remedies against Franchisee, any other Key Person, or any other person or entity. The liabilities and obligations arising under Section 2 of this Key Personnel Agreement will not be diminished, relieved, or otherwise affected by any extension of time or credit, the acceptance of any partial payment or performance, or the compromise or release of any claims.

4. Each provision of this Key Personnel Agreement is severable, and if any provision or part of a provision is held to be invalid or in conflict with any applicable present or future law or regulation, the other portions of this Key Personnel Agreement that remain otherwise intelligible will continue to be given full force and effect and bind the parties. If any covenant is deemed unenforceable by virtue of its scope, but would be enforceable by reducing any part or all of it, the parties agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Any waiver of any Key Person's obligations under this Key Personnel Agreement must be in writing to be enforceable and will be without prejudice to any other rights SFG may have. SFG's failure to enforce any of the provisions of this Key Personnel Agreement is not a waiver of such provision.

5. This Key Personnel Agreement, together with the Agreement, supersedes all prior agreements and understandings, whether oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements among the parties relating to the subject matter of this Key Personnel Agreement. This Key Personnel Agreement may be executed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Key Personnel Agreement may be amended or modified only by written agreement signed by the party to be bound.

6. All controversies, disputes or claims arising out of or related to this Key Personnel Agreement or the relationship between any Key Person and SFG will be governed by the laws of the State of Texas, without regard to its conflict of laws rules. If SFG is required to enforce this Key Personnel Agreement in a judicial proceeding, and prevails in such proceeding, SFG shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If SFG is required to engage legal counsel in connection with any failure by any Key Person to comply with this Key Personnel Agreement, that Key Person shall reimburse SFG for any of the above-listed costs and expenses it incurs.

7. Subject to the arbitration obligations under the Agreement and the provisions below, each Key Person agrees that all actions arising under this Key Personnel Agreement or the Agreement, or otherwise as a result of the relationship between SFG and each Key Person, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or

closest to) the city where SFG maintains its principal business address at the time that the action is brought. Each Key Person irrevocably submits to the jurisdiction of those courts and waives any objection he, she or it might have to either jurisdiction or venue. Notwithstanding the foregoing, SFG may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or this Key Personnel Agreement, in any court in the jurisdiction in which the applicable Key Person resides or any of his, her or its assets are located. EACH KEY PERSON IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER SFG OR KEY PERSON.

IN WITNESS WHEREOF, the parties have executed and delivered this Key Personnel Agreement effective on the date stated on the first page above.

SFG:

**SPRINKLES FRANCHISE GROUP
LLC**, a Delaware limited liability
company

By: _____

Name: _____

Title: _____

Date: _____

KEY PERSON:

[Signature]

[Print Name]

[Position]

[Signature]

[Print Name]

[Position]

[Signature]

[Print Name]

[Position]

EXHIBIT C

DEVELOPMENT RIGHTS AGREEMENT

**SPRINKLES CUPCAKES® BAKERY
DEVELOPMENT RIGHTS AGREEMENT**

THIS DEVELOPMENT RIGHTS AGREEMENT (the “**Agreement**”) is made and entered into as of this _____ day of _____, 20__ (the “**Agreement Date**”), regardless of the date of the parties’ signatures, between Sprinkles Franchise Group LLC, a Delaware limited liability company with its principal business address at 7710 Rialto Blvd Suite 150, Austin, Texas 78735 (“**SFG**”) and _____, whose principal business address is _____ (“**Developer**”).

1. **Background.** SFG and Developer (or its Controlled Affiliate, as defined below) are signing or have signed a Franchise Agreement dated as of _____, 20__ (the “**Existing Agreement**”) under which Developer (or its Controlled Affiliate) operates or will operate a Production Bakery (the “**First Developer Bakery**”) in or at _____. All capitalized terms used but not defined in this Agreement shall have the meanings in the Existing Agreement. SFG and Developer are signing this Agreement to provide Developer the right and obligation to develop a number of Sprinkles Cupcakes Bakeries within a certain geographic area over a certain period of time. SFG is willing to grant Developer these development rights if Developer complies with the terms of this Agreement.

2. **Grant of Development Rights.** Subject to Developer’s (and its affiliates’) compliance with this Agreement, the Existing Agreement, and all other franchise and other agreements between SFG (or its affiliate) and Developer (or its affiliate) (collectively, the “**Related Agreements**”), SFG hereby grants Developer and/or any of Developer’s approved Controlled Affiliates (defined below) the right, and Developer assumes the obligation, to sign Franchise Agreements (defined in Section 6) to develop and operate the number of Sprinkles Cupcakes Bakeries identified on Exhibit A (including the First Developer Bakery, collectively, the “**Developer Bakeries**”) according to a development schedule identified on Exhibit A (the “**Development Schedule**”), and within a geographic area identified on Exhibit B (the “**Development Area**”). “**Controlled Affiliate**” means any corporation, limited liability company or other Entity of which Developer owns ninety percent (90%) or more of the total authorized Ownership Interests. The Developer Bakeries can be either Production Bakeries or Pantry Bakeries, provided that at all times Developer (or a Controlled Affiliate) must operate at least one Production Bakery that, in SFG’s sole judgment, is able to provide Proprietary Mixes to all of the Developer Bakeries that are Pantry Bakeries in accordance with the applicable Franchise Agreements.

3. **No Sprinkles Cupcakes Bakeries in Development Area.** If Developer is complying with this Agreement, and Developer and its affiliates are fully complying with all of the Related Agreements, then during the term of this Agreement only, neither SFG nor its affiliates will operate, or authorize any other party to operate, a Sprinkles Cupcakes Bakery (whether a Production Bakery or a Pantry Bakery) the physical premises of which are located within the Development Area, except for (a) franchises SFG grants to Developer and its approved Controlled Affiliates, and (b) Sprinkles Cupcakes Bakeries located at Non-Traditional Locations. SFG (and any affiliates that SFG might have from time to time) shall at all times have the right to engage in any activities SFG or they deem appropriate that are not expressly

prohibited by this Agreement, whenever and wherever SFG or they desire, including, without limitation, those which SFG now reserves in Section 3.B of the Existing Agreement. Upon expiration or termination of this Agreement, SFG (and its affiliates) may operate, and authorize any other parties to operate, Sprinkles Cupcakes Bakeries the physical premises of which are located within the Development Area and engage, and allow others to engage, in any other activities SFG desires within and outside the Development Area without any restrictions whatsoever, subject only to Developer's (or its Controlled Affiliate's) rights under then existing franchise agreements with SFG.

4. **Development Fee.** Simultaneously with signing this Agreement, Developer must pay SFG a "**Development Fee**" of _____ Dollars (\$_____), which is equal to Twenty Thousand Dollars (\$20,000) multiplied by the number of Sprinkles Cupcake Bakeries to be developed under this Agreement (excluding the First Developer Bakery). The Development Fee is fully earned by SFG when SFG and Developer sign this Agreement and is non-refundable, even if Developer does not comply with the Development Schedule, although SFG will apply the Development Fee as provided in Section 6(a).

5. **Development Obligations.** To maintain its rights under this Agreement, Developer (and/or approved Controlled Affiliates) must, for each Developer Bakery: (a) submit to SFG for its review a Site Report (as defined in Section 6) on or before the applicable date set forth on the Development Schedule (the "**Site Report Deadline**"); (b) sign a Franchise Agreement on or before the applicable date set forth on the Development Schedule (the "**FA Signing Deadline**"); and (c) open and begin operating the Developer Bakery in accordance with the applicable Franchise Agreement on or before the applicable date set forth on the Development Schedule (the "**Bakery Opening Deadline**"). Time is of the essence under this Agreement. If Developer wants to request a ninety (90)-day extension of the Site Report Deadline, FA Signing Deadline and/or the Bakery Opening Deadline for any Developer Bakery, Developer must submit a written request and a Two Thousand Five Hundred Dollar (\$2,500) extension fee to SFG before the applicable deadline. If SFG grants the extension, the extension fee will be non-refundable. If SFG denies the extension, SFG will refund the extension fee. Nothing in this Section 5 requires SFG to grant any extension.

6. **Form of Franchise Agreement.** The franchise agreement and related documents that Developer (or its Controlled Affiliate) signs for each Developer Bakery (other than the First Developer Bakery) will be the form of franchise agreement and any ancillary agreements that SFG then customarily uses in granting franchises for Sprinkles Cupcakes Bakeries (collectively, the "**Franchise Agreement**"), any or all of the terms of which may differ substantially from the terms contained in the Existing Agreement, except that, for each Franchise Agreement other than the Existing Agreement: (a) the initial franchise fee will be Forty Thousand Dollars (\$40,000), and SFG will apply Twenty Thousand Dollars (\$20,000) of the Development Fee, as applicable, towards the initial franchise fee owed under that Franchise Agreement; and (b) the royalty will be five percent (5%) of the Sprinkles Cupcakes Bakery's gross sales (as defined in the applicable Franchise Agreement). To retain Developer's rights under this Agreement, each Developer Bakery must operate continuously throughout the term of this Agreement.

7. **No Sublicensing Rights or Rights to Use Marks.** This Agreement does not grant Developer any right to license others to operate Sprinkles Cupcakes Bakeries. Only Developer (and its approved Controlled Affiliates) may develop Sprinkles Cupcakes Bakeries pursuant to this Agreement and only under Franchise Agreements with SFG. This Agreement does not grant Developer any right to use, or authorize others to use, the Marks in any manner. Developer's right to use the Marks arises only under Franchise Agreements with SFG. SFG's affiliate owns all rights to the Marks, and Developer's unauthorized use of the Marks is an infringement of SFG's and its affiliate's rights and a breach of this Agreement.

8. **Site Acceptance.** To propose a site for each Developer Bakery, Developer must deliver to SFG: (a) a complete site report and other materials and information SFG requests for that location, and (b) information that SFG requests relating to Developer's (or its Controlled Affiliate's) financial and operational ability to develop and operate the proposed Developer Bakery (collectively, the "**Site Report**"). Each proposed site, which must meet SFG's then current site selection criteria for Sprinkles Cupcakes Bakeries, must be available for lease or purchase in time for Developer to develop and open a Developer Bakery at that site on or before the applicable Bakery Opening Deadline. SFG agrees to exercise commercially reasonable efforts in reviewing and evaluating proposed sites, including (if SFG determines it is appropriate) touring proposed or potential sites. With respect to each Developer Bakery, if Developer requests any of SFG's personnel to make more than two (2) visits to the Development Area to tour proposed or potential sites, and SFG agrees, then Developer shall pay SFG a fee equal to One Thousand Dollar (\$1,000) for each additional visit (after the first two (2) visits) to cover part of SFG's costs and expenses. SFG will not unreasonably withhold its acceptance of a site that meets its then current criteria for demographic characteristics; access; traffic patterns; parking; visibility; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. In determining whether to accept or reject a proposed site, SFG also may consider the site's proximity both to the Development Area's boundaries and to other existing or potential sites for Sprinkles Cupcakes Bakeries located outside the Development Area and at Non-Traditional Locations within the Development Area. SFG will use reasonable efforts to review and either accept or reject a site Developer propose within fifteen (15) business days after receiving the complete site report and other materials.

Despite any assistance, information or recommendations that SFG provided or will provide (whether before or after the Agreement Date) with respect to any site, SFG has made and will make no representations or warranties of any kind, express or implied, of the suitability of any site for a Sprinkles Cupcakes Bakery or any other purpose. SFG's recommendation or acceptance of a site indicates only that SFG believes that the site meets or has the potential to meet, or that SFG has waived, the general criteria of site acceptability that SFG has established as of that time. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after SFG recommends or accepts a site, demographic and/or other factors included in or excluded from SFG's site criteria could change, thereby altering a site's potential. The uncertainty and instability of these criteria are beyond SFG's control, and SFG is not responsible if a site fails to meet SFG's or Developer's expectations. Developer's acceptance of the rights under this Agreement is based on Developer's agreement to investigate the suitability of sites.

If SFG has not accepted Developer's (or its Controlled Affiliate's) proposed site for its First Developer Bakery as of the Agreement Date, then the provisions of this Section 8 shall govern SFG's and Developer's (or its Controlled Affiliate's) rights and obligations with respect to selection and acceptance of that site, and Developer must submit to SFG for its review a Site Report for the First Developer Bakery on or before the Site Report Deadline.

9. **Grant of Franchises.** If SFG accepts a proposed site for a Developer Bakery (other than the First Developer Bakery), then Developer or its approved Controlled Affiliate (and Developer's or its owners) must sign a separate Franchise Agreement for that Developer Bakery. Developer (or its Controlled Affiliate) may not sign a Franchise Agreement until after Developer has found a site for a Developer Bakery that SFG has accepted, but Developer (or its Controlled Affiliate) must sign a Franchise Agreement for that site before buying or signing a lease or sublease for that site. If Developer or its Controlled Affiliate (and Developer's or its owners) do not sign a separate Franchise Agreement within the time periods set forth in the Development Schedule, or do not open and begin operating the Developer Bakery under that Franchise Agreement within the time periods set forth in the Development Schedule, then SFG may terminate this Agreement according to Section 12. Except as set forth in Section 8 with respect to the First Developer Bakery and for the obligation to open the Developer Bakeries on or before the Bakery Opening Deadlines, after Developer (or its Controlled Affiliate) signs the Franchise Agreement and related documents, their terms and conditions will control the development and operation of the Developer Bakery.

10. **Confidentiality and Non-Competition.** Sections 11.A, 11.C and 12 of the Existing Agreement, entitled "Confidential Information," "Innovations" and "Exclusive Relationship," are incorporated by reference in this Agreement as if fully restated within the text of this Agreement. Developer agrees to comply, and ensure that the Developer Owners (defined below) comply, with the provisions of Sections 11.A, 11.C and 12 of the Existing Agreement applicable to Franchisee. "**Developer Owner**" means any individual or Entity holding a direct or indirect Ownership Interest (whether of record, beneficially, or otherwise) in Developer.

11. **Term and Termination.** This term of this Agreement begins on the Agreement Date and ends on the date when the final Franchise Agreement under the Development Schedule has been signed or this Agreement otherwise is terminated under Section 12, whichever occurs first.

12. **Termination.** Without limiting SFG's termination and other rights under any other Related Agreement or applicable law, SFG may terminate this Agreement, effective upon delivery of written notice of termination to Developer, if:

(a) Developer or any of the Developer Owners has made or makes any material misrepresentation or omission in acquiring the rights under this Agreement or operating the business under this Agreement;

(b) Developer or any of the Developer Owners either (i) engages in any dishonest, unethical or illegal conduct which, in SFG's reasonable opinion, adversely affects or might adversely affect the reputation of Developer's business, the reputation of

other Sprinkles Cupcakes Bakeries or the goodwill associated with the Marks, or (ii) is convicted by a trial court of or pleads no contest to a felony;

(c) Developer (or a Controlled Affiliate) ceases to operate at least one Production Bakery that, in SFG's sole judgment, is able to provide Proprietary Mixes to all of the Developer Bakeries that are Pantry Bakeries in accordance with the applicable Franchise Agreements;

(d) Developer or any of the Developer Owners breaches any provision of this Agreement, including, without limitation, any failure to comply with the Development Schedule; or

(e) Developer or any of its Controlled Affiliates breaches or is in default under, or SFG (or its affiliate) terminates for any reason, any other Related Agreement.

13. **Termination of Other Rights.** In addition to and without limiting SFG's other rights and remedies under this Agreement, any other Related Agreement and applicable law, upon the occurrence of any of the events that give rise to SFG's right to terminate this Agreement under Section 12, SFG may, at its sole option and upon delivery of written notice to Developer, elect to take any or all of the following actions without terminating this Agreement:

(a) temporarily suspend or permanently terminate Developer's right to develop new Sprinkles Cupcakes Bakeries in any geographic area that is part of the Development Area, in which event (i) Developer's rights and the restrictions on SFG and its affiliates under Section 3 of this Agreement shall no longer apply in that geographic area, and (ii) SFG (and its affiliates) may operate, and authorize any other parties to operate, Sprinkles Cupcakes Bakeries the physical premises of which are located within that geographic area and engage, and allow others to engage, in any other activities SFG desires within that geographic area without any restrictions whatsoever, subject only to Developer's (or its Controlled Affiliate's) rights under then existing franchise agreements with SFG; and/or

(b) reduce the number of remaining Developer Bakeries to be developed under the Development Schedule, in which event Developer shall comply with the reduced Development Schedule that SFG provides in its written notice. For the avoidance of doubt, upon SFG's exercise of its rights under this Section 13(b), SFG is not required to refund any portion of the Development Fee paid with respect to the Developer Bakeries that Developer is no longer permitted or required to develop, nor required to apply any of that portion of the Development Fee towards the initial franchise fee payable under Franchise Agreements that Developer (or its Controlled Affiliate) signs thereafter.

SFG's exercise of its rights under this Section 13 will not be a defense for Developer to SFG's enforcement of any other provision of this Agreement or any other Related Agreement or, except as provided in Section 13(b), waive or release Developer from any of its other obligations under this Agreement or any Related Agreement. SFG's exercise of these rights will not be SFG's sole or exclusive remedy for Developer's default.

14. **Transfer by SFG.** Developer represents that it has not signed this Agreement in reliance on any affiliate's, owner's, officer's or employee's remaining with SFG in that capacity. SFG may change its ownership or form and/or assign this Agreement without Developer's consent or any other restriction. This Agreement will inure to the benefit of any transferee or other legal successor to SFG's interest in it. After SFG's assignment of this Agreement to a third party who expressly assumes SFG's obligations under this Agreement, SFG no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of SFG and novation with respect to this Agreement, and the assignee shall be liable to Developer as if it had been an original party to this Agreement.

15. **Ownership of and Transfer by Developer.**

(a) If Developer is an Entity, Developer represents and warrants that Exhibit C to this Agreement completely and accurately describes all Developer Owners and the Ownership Interests of each Developer Owner.

(b) Developer acknowledges that the rights and duties this Agreement creates are personal to Developer and the Developer Owners and that SFG has granted Developer the rights under this Agreement in reliance upon SFG's perceptions of the character, skill, aptitude, business ability and financial capacity of Developer and the Developer Owners. These rights are personal to Developer and the Developer Owners. Therefore, Developer and the Developer Owners agree that neither Developer nor any of the Developer Owners may transfer this Agreement or any of Ownership Interests in Developer (whether directly or indirectly) without SFG's prior written approval, which SFG may grant or withhold for any or no reason. Without limiting the generality of the foregoing, SFG may condition its approval of any proposed transfer on (in addition to any other conditions) the simultaneous transfer to that transferee of other rights, interests, obligations, assets, and/or Ownership Interests such that, following such transfer, Developer or its transferee (or its Controlled Affiliate) operates at least one Production Bakery that, in SFG's sole judgment, is able to provide Proprietary Mixes to all of the Developer Bakeries that are Pantry Bakeries in accordance with the applicable Franchise Agreements.

16. **Incorporation of Other Terms.** Sections 17 and 18 of the Existing Agreement, entitled "Relationship of the Parties/Indemnification" and "Enforcement," respectively, including (without limitation) the provisions relating to arbitration of disputes, are incorporated by reference in this Agreement and will govern all aspects of SFG's relationship and the construction of this Agreement as if fully restated within the text of this Agreement. Developer agrees to comply, and ensure the Developer Owners comply, with the provisions of Sections 17 and 18 of the Existing Agreement applicable to Franchisee. This Agreement, together with the Existing Agreement, supersedes all prior agreements and understandings, whether oral and written, between the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements between the parties relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Developer to waive reliance on any representation that SFG made in the most recent disclosure document (including its exhibits and amendments) that SFG delivered to Developer or

its representative. This Agreement may be signed by written or electronic signature and in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

17. **No Waiver or Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by 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 SFG, any franchise seller, or any other person acting on behalf of SFG. This provision supersedes any other term of any document executed in connection with the franchise.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective on the Agreement Date stated on the first page above.

SFG

**SPRINKLES FRANCHISE GROUP
LLC**, a Delaware limited liability
company

By: _____

Name: _____

Title: _____

Date: _____, 20__

DEVELOPER

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____, 20__

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____, 20__

**EXHIBIT A
TO DEVELOPMENT RIGHTS AGREEMENT**

DEVELOPMENT SCHEDULE

Developer or its Controlled Affiliates must sign Franchise Agreements for Sprinkles Cupcakes Bakeries on or before the dates listed in the FA Signing Deadline column below, and must develop, open and begin operating the Developer Bakeries pursuant to the Existing Agreement and those other Franchise Agreements on or before the dates listed in the Cumulative Number of Developer Bakeries Open and Operating by the Bakery Opening Deadline column below.

Site Report Deadline	FA Signing Deadline	Bakery Opening Deadline	Cumulative Number of Developer Bakeries Open and Operating by the Bakery Opening Deadline
<i>*[if site of First Developer Bakery has not been approved by Agreement Date.]</i>	Agreement Date (for Existing Agreement)		1

Note If SFG agrees in writing to an extension of the FA Signing Deadline, Site Report Deadline, and/or Bakery Opening Deadline for a particular Developer Bakery pursuant to Section 5, then the extended deadline(s) shall be substituted for the deadline(s) specified in this table.

(Signature page follows)

SFG

**SPRINKLES FRANCHISE GROUP
LLC**, a Delaware limited liability
company

By: _____

Name: _____

Title: _____

Date: _____, 20__

DEVELOPER

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____, 20__

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____, 20__

**EXHIBIT B
TO DEVELOPMENT RIGHTS AGREEMENT**

DEVELOPMENT AREA

The Development Area is defined as the entire territory encompassed by _____ in the State of _____, as the boundaries of that territory exist on the Agreement Date.

SFG

**SPRINKLES FRANCHISE GROUP
LLC**, a Delaware limited liability
company

By: _____

Name: _____

Title: _____

Date: _____, 20__

DEVELOPER

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____, 20__

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____, 20__

**EXHIBIT C
TO DEVELOPMENT RIGHTS AGREEMENT**

DEVELOPER OWNERS

**Effective Date: This Exhibit C is current and complete
as of _____, 20__**

1. **Form of Developer.** Developer was incorporated or formed on _____, 20__, under the laws of the State of _____. Developer has not conducted business under any name other than Developer's corporate, limited liability company, or partnership name and _____. The following is a list of Developer's directors or managers (if applicable) and officers as of the effective date shown above:

<u>Name</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each person who is one of Developer's direct or indirect Owners and fully describes the nature of each Owner's interest (attach additional pages if necessary).

<u>Owner's Name</u>	<u>Description of Interest</u>
(a) _____	_____
(b) _____	_____
(c) _____	_____
(d) _____	_____

SFG

**SPRINKLES FRANCHISE GROUP
LLC, a Delaware limited liability
company**

By: _____

Name: _____

Title: _____

Date: _____, 20__

DEVELOPER

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____, 20__

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____, 20__

EXHIBIT D

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Operations Manual



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EXHIBIT E

LIST OF FRANCHISEES

Franchisee	Address	City	State	Telephone Number
Pocket Smitty, LLC	4488 W Teal Ridge Way Suite H-145	Riverton	Utah	(385) 988-4013

SIGNED BUT NOT YET OPEN AS OF DECEMBER 31, 2022

None.

DEVELOPER LIST

Developer	Telephone Number	Territory
Pocket Smitty, LLC	801-885-2676	Idaho and Utah

EXHIBIT F

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

None.

EXHIBIT G
FINANCIAL STATEMENTS



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

SPRINKLES FRANCHISE GROUP, LLC

AS OF JANUARY 1, 2023 AND JANUARY 2, 2022,
AND FOR THE YEARS ENDED JANUARY 1, 2023, JANUARY 2, 2022,
AND THE PERIOD FROM AUGUST 10, 2020 (INCEPTION) TO JANUARY 3, 2021

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Report of Independent Auditors

The Management and Member of
Sprinkles Franchise Group, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sprinkles Franchise Group, LLC, which are comprised of the balance sheets as of January 1, 2023 and January 2, 2022, and the related statements of operations, member's deficit, and cash flows for the years ended January 1, 2023, January 2, 2022 and for the period from August 10, 2020 (inception) to January 3, 2021, 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 Sprinkles Franchise Group, LLC as of January 1, 2023 and January 2, 2022 and the results of its operations and its cash flows for the years then ended and the period from August 10, 2022 (inception) to January 3, 2021, 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 Sprinkles Franchise Group, LLC 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 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 Sprinkles Franchise Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter – Affiliates

As discussed in Note 1 to the financial statements, Sprinkles Franchise Group, LLC has an agreement with its Member related to administrative, management, support activities, and various other items. The accompanying financial statements may not be indicative of conditions that would have existed if Sprinkles Franchise Group, LLC had been operated as an unaffiliated entity. Our opinion is not modified with respect to this matter.



Eugene, Oregon
April 24, 2023

Sprinkles Franchise Group, LLC
Balance Sheets

	ASSETS		
		January 1, 2023	January 2, 2022
CURRENT ASSETS			
Cash		\$ 268,166	\$ 148,995
Other receivables		31,313	-
Total current assets		<u>299,479</u>	<u>148,995</u>
Total assets		<u>\$ 299,479</u>	<u>\$ 148,995</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Deferred revenue, current portion		\$ 4,000	\$ -
Total current liabilities		4,000	-
NON-CURRENT LIABILITIES			
Deferred revenue, less current portion		115,833	-
Related-party payable		258,170	95,426
Total liabilities		<u>378,003</u>	<u>95,426</u>
MEMBER'S EQUITY (DEFICIT)		<u>(78,524)</u>	<u>53,569</u>
Total liabilities and member's equity (deficit)		<u>\$ 299,479</u>	<u>\$ 148,995</u>

Sprinkles Franchise Group, LLC

Statements of Operations

	Year Ended January 1, 2023	Year Ended January 2, 2022	Period from August 10, 2020 (inception) to January 3, 2021
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Royalty fee	\$ 3,615	\$ -	\$ -
Franchise fee	167	-	-
	<u>3,782</u>	<u>-</u>	<u>-</u>
Total revenue			
OPERATING EXPENSES			
General and administrative	42,552	1,305	-
Legal and professional	93,323	95,126	-
	<u>(135,875)</u>	<u>(96,431)</u>	<u>-</u>
Total operating expenses			
NET LOSS	<u>\$ (132,093)</u>	<u>\$ (96,431)</u>	<u>\$ -</u>

Sprinkles Franchise Group, LLC
Statements of Member's Equity (Deficit)

BALANCE, August 10, 2020 (inception)	<u>\$ -</u>
Member contribution	<u>150,000</u>
BALANCE, January 3, 2021	150,000
Net loss	<u>(96,431)</u>
BALANCE, January 2, 2022	53,569
Net loss	<u>(132,093)</u>
BALANCE, January 1, 2023	<u>\$ (78,524)</u>

Sprinkles Franchise Group, LLC

Statements of Cash Flows

	Year Ended January 1, 2023	Year Ended January 2, 2022	Period from August 10, 2020 (inception) to January 3, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (132,093)	\$ (96,431)	\$ -
Adjustments to reconcile net loss to net cash used in operating activities			
Non-cash franchise fees recognized	(167)	-	-
Change in operating assets and liabilities			
Other receivables	(31,313)	-	-
Deferred revenue	120,000	-	-
Net cash used in operating activities	<u>(43,573)</u>	<u>(96,431)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Member contribution	-	-	150,000
Related-party payable	162,744	95,426	-
Net cash provided by financing activities	<u>162,744</u>	<u>95,426</u>	<u>150,000</u>
NET CHANGE IN CASH	119,171	(1,005)	150,000
CASH, beginning of period	<u>148,995</u>	<u>150,000</u>	<u>-</u>
CASH, end of period	<u>\$ 268,166</u>	<u>\$ 148,995</u>	<u>\$ 150,000</u>

Sprinkles Franchise Group, LLC

Notes to Financial Statements

Note 1 – Organization and Description of Business

Sprinkles Franchise Group, LLC (the “Company”), a Delaware limited liability company (LLC), was formed on August 10, 2020, and operates as the franchisor of “Sprinkles Cupcakes.” The Company is a wholly owned subsidiary of Sprinkles Cupcakes, LLC (“SCL” and the “Member”). The Company’s activities relate to the development of the Sprinkles Cupcakes franchise system throughout the U.S. and internationally through a 20-year renewable trademark license agreement with SCL. The license agreement grants the Company a non-exclusive right to use the Sprinkles Cupcakes trademarks and to license the trademarks to franchisees under franchise agreements. SCL currently owns and operates 22 cupcake retail stores and various cupcake ATM machines in locations throughout the United States as of January 1, 2023.

The Member contributed \$150,000 in cash at formation to fund the Company’s operations on October 13, 2020. The Company has relied on resources from SCL to support initial operations and SCL has committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations. Until such time that the Company is actively selling franchises and opening up franchise locations, it is dependent of SCL to provide financial resources, administrative, management, support activities and various other items. The accompanying financial statements do not contain the cost of the financials resources received from SCL and therefore may not be indicative of conditions that would have existed if the Company had been operated as an unaffiliated entity.

As of January 1, 2023, the Company had sold the rights to develop five franchise locations with a single franchisee. The first franchise bakery under this agreement opened in December 2022.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of January 1, 2023 and January 2, 2022. References to ASC and ASU included hereinafter refer to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Fiscal year – The Company uses a fiscal year consisting of the 52- or 53-week period ending on the Sunday nearest December 31. The fiscal years for 2022 and 2021, consisted of 52-week periods ending January 1 and January 2, respectively.

Use of estimates – The preparation of the financial statements in accordance with U.S. GAAP requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates. The actual results could differ significantly from those estimates.

Sprinkles Franchise Group, LLC

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents. As of January 1, 2023, and January 2, 2022, the Company carried no cash equivalents.

Concentration of credit risk – The cash balances of the Company are held primarily in one financial institution. If cash balances exceed the amounts covered by the Federal Deposit Insurance Corporation, the excess balances could be at a risk of loss.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include only cash. Management estimates that the fair value of all financial instruments at January 1, 2023 and January 2, 2022, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Accounts receivable – Accounts receivable represent amounts due from their franchisees for royalty revenues and other miscellaneous receivables and are stated net of an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable balance and establishes an allowance for doubtful accounts, if required, based on a history of past write-offs and collections and current credit considerations.

Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At January 1, 2023 and January 2, 2022, no allowance for doubtful accounts was necessary.

Income taxes – The Company is an LLC and is considered a disregarded entity for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax returns. Accordingly, no taxes payable of deferred tax assets or liabilities are reflected in these financial statements.

Revenue recognition – The Company records revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

The Company has identified one performance obligation for the use of the license and intellectual property and recognizes the franchise and renewal fee over the term of the franchise and renewal periods, respectively. Unrecognized fees are included in deferred revenue in the accompanying balance sheets.

Note 2 – Summary of Significant Accounting Policies (continued)

Franchise fee revenues – The franchise arrangement between the Company and each franchise owner of a Sprinkles Cupcakes store is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Sprinkles Cupcakes brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license and intellectual property. The nature of the Company’s promise in granting the franchise license is to provide the franchise owner with access to the brand’s intellectual property over the term of the franchise arrangement. Revenue from initial franchise fees is recognized ratably over the term of the franchise agreement. Consideration received in advance of performing all significant services is recorded as deferred revenue.

Royalty fee revenue – Royalty fee revenue represents royalties earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for use of the “Sprinkles Cupcakes” name, menus, processes, and procedures. The royalty rate in the franchise agreement is up to five percent of the gross sales of each store operated by each franchisee. Royalty income from franchised bakeries is recognized in the period earned and is payable to the Company weekly when the sales are reported by the franchisees.

Operating expenses – The Company’s operating expenses consist mainly of legal expense, bank fees, and travel and payroll costs related to the initial training program provided for the franchise bakery that opened in December 2022.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements is available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements.

In February 2023, the Company sold additional rights to develop three franchise bakeries with a second franchisee, from which cash was collected in March 2023.

The Company has evaluated subsequent events through April 24, 2023, which is the date the financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions, or if they are subject to common control or common significant influence. The significant related-party transactions consist of payments made by SCL on behalf of the Company for legal costs in the normal course of business.

Sprinkles Franchise Group, LLC

Notes to Financial Statements

Note 4 – Member's Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to their specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

UNAUDITED FINANCIALS STATEMENTS

Sprinkles Cupcakes Franchise Group - Balance Sheet
As of April 2, 2023*(\$ in 000s)*

ASSETS	
<i>Current Assets</i>	
Cash	\$ 278
Other receivables	34
Total current assets	<u>312</u>
Total Assets	<u>312</u>
LIABILITIES AND MEMBERS' EQUITY	
<i>Non-Current Liabilities</i>	
Related-party payable	238
Deferred revenue	199
Total liabilities	<u>436</u>
Member's Equity (Deficit)	<u>(124)</u>
Total Liabilities and Members' Equity	<u>312</u>

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

UNAUDITED

Sprinkles Cupcakes Franchise Group - Income Statement
Year-to-date 2023 through April 2, 2023

(\$ in 000s)

Revenue

Royalty fee	\$	10
Franchise fee		1
Total revenue		<u>11</u>

Operating Expenses

General and administrative		5
Legal and professional		52
Total operating expenses		<u>57</u>

Net loss \$ (46)

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

EXHIBIT H

RELEASE ON RENEWAL/TRANSFER

SPRINKLES FRANCHISE GROUP LLC

RENEWAL/ASSIGNMENT OF FRANCHISE DOCUMENTS RELEASE

Sprinkles Franchise Group LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ (“you” or “your”), currently are parties to a certain Franchise Agreement (the “**Franchise Agreement**”) dated _____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “**Releasing Parties**”), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “**Sprinkles Parties**”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “**Claims**”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Sprinkles Parties (1) arising out of or related to the Sprinkles Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Sprinkles Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Sprinkles Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

You and your owners, for yourselves and each of the Releasing Parties, hereby waive and relinquish every right or benefit which he, she, or it has under any state or federal law limiting the effectiveness of releases, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims, you and your owners, for yourselves and each of the Releasing Parties, acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties’ intention, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given hereunder shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts.

The following language applies only to transactions governed by the Washington Franchise Investment Act

The release provided above does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

FRANCHISOR:

Sprinkles Franchise Group LLC a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

(IF ENTITY)

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS)

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

FRANCHISEE OWNER(S):

[Printed Name]

[Signature]

Date: _____

[Printed Name]

[Signature]

Date: _____

EXHIBIT I

**ADDITIONAL DISCLOSURES AND RIDERS
REQUIRED BY STATE FRANCHISE LAWS**

No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF CALIFORNIA**

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

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 FRANCHISE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. Our website, www.sprinkles.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

4. The following paragraph is added to the “Special Risks to Consider About This Franchise” page:

Spousal Liability. While your spouse need not sign a personal guarantee unless he or she is an owner of the legal entity that is the franchisee, the fact that California is a community-property state means that both your and your spouse’s marital and personal assets, including your house, could be lost if your franchise fails.

5. The following is added at the end of Item 3:

Neither we nor 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. Sections 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

6. The following language is added to the end of Items 5 and 6:

The Department has determined either that the franchisor has not demonstrated it is adequately capitalized or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a fee deferral condition. Payment of all initial franchise fees is postponed until after all of franchisor’s initial obligations are complete and Bakery is open for business. For Development Rights Agreement offerings, the portion of the development fee attributable to an individual Bakery in the Development Schedule is deferred until after all of franchisor’s initial obligations are complete and that Bakery is open for business.

7. The following is added to the “Remarks” column of the line-item entitled “Interest” in Item 6:

The highest interest rate allowed under California law is 10% annually.

8. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

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

The Franchise Agreement requires binding arbitration. The arbitration will occur within 10 miles of the Franchisor's principal office (currently Austin, Texas) at the time that the arbitration demand is filed, before a single arbitrator with the costs being borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Texas with certain exceptions. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of your franchise. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The franchise agreement and development rights agreement contain provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF ILLINOIS**

The following paragraph is added to the end of Item 5:

Based on our financial condition, the Illinois Attorney General's Office has imposed a fee deferral requirement. Accordingly, if you sign the Development Rights Agreement, we will not require you to pay the initial development fee until after we have completed all our pre-opening obligations under the first Franchise Agreement that the Development Rights Agreement covers and you or your affiliate begins operating the first Sprinkles Cupcakes Bakery. If you sign the Franchise Agreement, we will not require you to pay the initial franchise fee until after we have completed all our pre-opening obligations under that Franchise Agreement and you begin operating that Bakery.

The following statements are added to the end of Item 17:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF MARYLAND**

1. The following language is added as the last paragraph of Items 5 and 7:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, we will defer your payment of the initial franchise fee due to us under the Franchise Agreement until we have fulfilled all our initial obligations to you under the Franchise Agreement and you have commenced operating the Bakery. You must pay us the initial franchise fee on the day you begin operating your Bakery. In addition, we will defer your payment of the development fee due to us under the Development Rights Agreement until we have fulfilled all our initial obligations to you, and you have commenced operating your first Bakery. You must pay us the development fee due under a Development Rights Rider to the Franchise Agreement on the day you begin operating your first Bakery.

2. The following language is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for Franchisor approval of transfer**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. (The form of general release that we currently intend to use in connection with franchise transfers and renewals is provided in Exhibit H of this Franchise Disclosure Document.)

3. The following language is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

4. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety and the following is substituted in its place:

Litigation is in the state and city of our then current principal business address (currently Austin, Texas), except that, subject to your arbitration obligation, and to the extent required by the Maryland Registration and Disclosure Law, you may bring an action in Maryland.

5. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted in its entirety and the following is substituted in its place:

Texas law generally applies, except for the Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF MINNESOTA**

1. The following language is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer by franchisee**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

2. The following paragraphs are added to the end of Item 17:

For franchises governed by the Minnesota Franchises 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 franchise agreement.

Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. However, we and you will enforce these provisions in the Agreement to the extent the law allows.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
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 NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN 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, 21ST 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 to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or

national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of 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 debt 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:

We use the initial franchise fee to partially defray our costs in assisting you during your opening of the Sprinkles Cupcakes Bakery, such as for our training expenses.

5. The following is added to the end of the “Summary” sections of Item 17(c), entitled **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 Section 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), entitled “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), entitled “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), entitled “Choice of forum,” and Item 17(w), entitled “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 FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF RHODE ISLAND**

1. The “Summary” section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety and the following is substituted in its place:

Litigation is in the state and city of our then current principal business address (currently Austin, Texas), except that, subject to your arbitration obligation, and to the extent required by the Rhode Island Franchise Investment Act, you may bring an action in Rhode Island.

2. The “Summary” section in Item 17(w), entitled **Choice of law**, is deleted in its entirety and the following is substituted in its place:

Texas law generally applies, except for Federal Arbitration Act, other federal law, and claims arising under the Rhode Island Franchise Investment Act.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF VIRGINIA**

1. The following language is added as a new risk factor to the “Special Risk to Consider About This Franchise” page:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$725,000 to \$1,310,000. This amount exceeds the franchisor's member's equity as of January 1, 2023, which is \$300,000.

2. The following is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
STATE OF WASHINGTON**

The following paragraph is added to the end of Items 5 and 7:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

The following disclosures are added to the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT AND DEVELOPMENT RIGHTS AGREEMENT**

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA**

This Rider is entered into this ___ day of _____, 20__, by and between Sprinkles Franchise Group LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and/or (b) you are a resident of California and your Sprinkles Cupcakes Bakery will operate in California.

2. **Initial Franchise Fee.** The following language is added to the end of Section 5.A. of the Franchise Agreement:

Despite the payment provisions above, SFG will defer Franchisee’s payment of the initial franchise fee until SFG has fulfilled all its initial obligations to Franchisee under this Agreement and Franchisee has commenced doing business. Franchisee must pay SFG the initial franchise fee on the day Franchisee opens the Bakery for business.

3. **Additional Disclosure.** The following language is added to the end of the Franchise Agreement as a new Section 20:

No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall alone be construed or interpreted as a waiver of any claim of fraud in the inducement, whether common law (unless allowed by existing common law) or statutory, or as alone disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting at the direction of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
DEVELOPMENT RIGHTS AGREEMENT
FOR USE IN CALIFORNIA**

This Rider is entered into this ___ day of _____, 20__, by and between Sprinkles Franchise Group LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Developer,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Development Rights Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and/or (b) you are a resident of California and the Sprinkles Cupcakes Bakery(ies) you will develop under the Development Rights Agreement will be operated in California.

2. **Development Fee.** The following language is added to Section 4 of the Development Agreement:

Despite the payment provisions above, SFG will defer Franchisee’s payment of the development fee due under a Development Rights Agreement on a prorated basis (i.e., per Developer Bakery) until such time as each Developer Bakery opens for business.

3. **Additional Disclosure.** The following language is added to the Development Agreement as a new Section 17:

No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall alone be construed or interpreted as a waiver of any claim of fraud in the inducement, whether common law (unless allowed by existing common law) or statutory, or as alone disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting at the direction of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed this Rider to the Development Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

DEVELOPER

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider is entered into this ___ day of _____, 20___, by and between Sprinkles Franchise Group LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Sprinkles Cupcakes Bakery will be located or operated in Illinois and/or (b) you are a resident of Illinois.

2. **Initial Franchise Fee.** The following is added to the end of Section 5.A of the Franchise Agreement:

Based on SFG’s financial condition, the Illinois Attorney General’s Office has imposed a fee deferral requirement. Accordingly, and notwithstanding the first sentence of this Section 5.A, Franchisee will not be required to pay SFG the initial franchise fee until SFG has completed all its pre-opening obligations to Franchisee under this Agreement and Franchisee begins operating the Bakery.

3. **Governing Law.** Section 18.G of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

4. **Jurisdiction.** Section 18.H of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in this Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, this Agreement may provide for arbitration to take place outside of Illinois.

5. **Renewal and Termination.** The following language is added at the beginning of Sections 14 and 15.B of the Franchise Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. **Waiver of Jury Trial.** The following language is added to the end of Section 18.I of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

7. **Illinois Franchise Disclosure Act**: The following language is added as a new Section 18.N of the Franchise Agreement:

18.N. **Illinois Franchise Disclosure Act**

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that 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 provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
DEVELOPMENT RIGHTS AGREEMENT
FOR USE IN ILLINOIS**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Developer,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Development Rights Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) you are a resident of Illinois, and/or (b) the Sprinkles Cupcakes Bakery(ies) you will develop under the Development Rights Agreement is located in the State of Illinois and the offering or sales activity in connection with the Development Rights Agreement occurred within the State of Illinois.

2. **Development Fee.** The following is added to the end of Section 4 of the Development Agreement:

Based on SFG’s financial condition, the Illinois Attorney General’s Office has imposed a fee deferral requirement. Accordingly, and notwithstanding the first sentence of this Section 4, Developer will not be required to pay SFG the Development Fee until SFG has completed all its pre-opening obligations to Developer (or its Controlled Affiliate) under the first Franchise Agreement and Developer (or its Controlled Affiliate) begins operating the first Bakery.

3. **Illinois Franchise Disclosure Act.** The following language is added to the Development Agreement as a new Section 17:

17. **Illinois Franchise Disclosure Act**

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that 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 provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Rider to the Development Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

DEVELOPER

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Maryland, and/or (b) the Sprinkles Cupcakes Bakery will be located or operated in Maryland.

2. **Initial Franchise Fee.** The following language is added to the end of Section 5.A of the Franchise Agreement:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, SFG will defer Franchisee’s payment of the initial franchise fee due to SFG under this Agreement until SFG has fulfilled all its initial obligations to Franchisee under this Agreement and Franchisee has commenced operating the Bakery. Franchisee must pay SFG the initial franchise fee on the day Franchisee begins operating the Bakery.

3. **Assignment and Renewal.** The following language is added at the end of Section 13.D(4) and Section 14.B(3) of the Franchise Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. **Termination.** The following language is added to the end of Section 15.B(19) entitled “Termination by SFG”:

; however, such provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.), although we intend to enforce it to the extent enforceable.

5. **Governing Law.** Section 18.G of the Franchise Agreement, entitled “Governing Law,” is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, and except as otherwise required by law for claims arising under the Maryland Franchise Registration and Disclosure Law, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the laws of the State of Texas (other than the choice of law provisions thereof).

6. **Jurisdiction.** The following language is added to the end of Section 18.H, entitled “Consent to Jurisdiction,” of the Franchise Agreement:

Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **Acknowledgements.** The following language is added to the Franchise Agreement as a new Section 20 entitled “Acknowledgements”:

20. Acknowledgements. All representations requiring you to assent to a release, estoppel or waiver of liability 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.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

FRANCHISEE

SPRINKLES FRANCHISE GROUP LLC

[_____]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**RIDER TO THE
DEVELOPMENT RIGHTS AGREEMENT
FOR USE IN MARYLAND**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Developer,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Development Rights Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) you are a resident of Maryland, and/or (b) the Sprinkles Cupcakes Bakery(ies) you will operate under a separate Franchise Agreement with us will be located or operated in Maryland.

2. **Development Fee.** The following language is added to the end of Section 4 of the Development Agreement:

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments by the Developer shall be deferred until the first franchise under this Agreement opens.

3. **Acknowledgements.** The following language is added to the Development Agreement as a new Section 17 entitled “Acknowledgements”:

17. Acknowledgments. All representations requiring you to assent to a release, estoppel or waiver of liability 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.

IN WITNESS WHEREOF, the parties have executed this Rider to the Development Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

DEVELOPER

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Sprinkles Cupcakes Bakery you will operate under the Franchise Agreement was made in the State of Minnesota, and/or (b) the Sprinkles Cupcakes Bakery will be located or operated in Minnesota.

2. **Assignment and Renewal.** The following language is added to the end of Section 13.D(4), and Section 14.B(3) of the Franchise Agreement:

Any release as a condition of renewal and/or assignment or transfer will not apply to the extent prohibited by law with respect to claims arising under Minn. Rule 2860.4400 D.

3. **Renewal and Termination.** The following language is added to the end of Section 15.B of the Franchise Agreement, entitled “Termination by SFG,” and to the end of Section 14 of the Franchise Agreement, entitled “Successor Franchise Rights”:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Section 80C.14, subds, 3, 4 and 5 require, except in certain specified cases, that you be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of this Agreement.

4. **Governing Law.** The following language is added to the end of Section 18.G, entitled “Governing Law,” of the Franchise Agreement:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule part 2860.4400(J), this section shall not in any way abrogate or reduce your rights as provided for in Minnesota Statutes 1984, chapter 80c, including the right to submit matters to the jurisdiction of the courts of Minnesota.

5. **Jurisdiction.** The following language is added to the end of Section 18.H, entitled “Consent to Jurisdiction,” of the Franchise Agreement:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota or requiring waiver of a jury trial.

6. **Limitation of Claims.** The following sentence is added to the end of Section 18.K of the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

7. **Waiver of Punitive Damages/Waiver of Jury Trial.** The following language is added to the beginning of Section 18.I, entitled “Waiver of Punitive Damages and Jury Trial,” of the Franchise Agreement:

Except as otherwise required by the Minnesota Franchises Law,

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Sprinkles Cupcakes Bakery you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Sprinkles Cupcakes Bakery in New York.

2. **Assignment and Renewal.** The following language is added to the end of Section 13.D(4) and Section 14.B(3) of the Franchise Agreement:

; provided, however, that all rights enjoyed by you 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 GBL Sections 687.4 and 687.5 be satisfied.

3. **Termination.** The following language is added to the end of Section 15.A, entitled “Termination by Franchisee,” of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **Assignment by Franchisor.** The following language is added to the end of Section 13.A, entitled “Transfer by SFG,” of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

5. **Governing Law.** The following language is added to the end of Section 18.G of the Franchise Agreement, entitled “Governing Law”:

; HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW.

6. **Jurisdiction.** The following language is added to the end of Section 18.H, entitled “Consent to Jurisdiction,” of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

FRANCHISEE

SPRINKLES FRANCHISE GROUP LLC

[_____]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

This Rider is entered into this ___ day of _____, 20___, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Sprinkles Cupcakes Bakery you will operate under the Franchise Agreement was made in the State of Rhode Island, and/or (b) you are a resident of Rhode Island and will operate the Sprinkles Cupcakes Bakery in Rhode Island.

2. **Governing Law.** Section 18.G of the Franchise Agreement, entitled “Governing Law,” is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq*) or other federal law, and except as otherwise required by law for claims arising under the Rhode Island Franchise Investment Act, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the laws of the State of Texas (other than the choice of law provisions thereof).

3. **Jurisdiction.** The following is added to the end of Section 18.H of the Franchise Agreement, entitled “Consent to Jurisdiction”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of laws of another state is void with respect to a claim otherwise enforceable under this Act.”

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[_____]

By: _____

Name: _____

Title: _____

**RIDER TO THE
FRANCHISE AGREEMENT, DISCLOSURE ACKNOWLEDGMENT STATEMENT, AND
RELATED AGREEMENTS FOR USE IN WASHINGTON**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Sprinkles Cupcakes Bakery you will operate under the Franchise Agreement was made in the State of Washington, (b) you are a resident of Washington, and/or (c) the Sprinkles Cupcakes Bakery will be located or operated in Washington.

2. **Fee Deferral.** The following paragraph is added to the end of Section 5.A of the Franchise Agreement:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

3. **Addition of Paragraphs.** The following paragraphs are added to the end of the Franchise Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the “Act”), Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede this Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede this Agreement in your relationship with us including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by this Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement

after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisee's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in this Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in this Agreement or elsewhere are void and unenforceable in Washington.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR

FRANCHISEE

SPRINKLES FRANCHISE GROUP LLC

[_____]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**RIDER TO THE
DEVELOPMENT RIGHTS AGREEMENT, DISCLOSURE ACKNOWLEDGMENT
STATEMENT, AND RELATED AGREEMENTS FOR USE IN WASHINGTON**

This Rider is entered into this ___ day of _____, 20__, by and between SPRINKLES FRANCHISE GROUP LLC, a Delaware limited liability company (“we,” “us,” or “our”), and _____ (“Developer,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Development Rights Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) the offer or sale of the development rights for the Sprinkles Cupcakes Bakery(ies) you will develop under the Development Agreement was made in the State of Washington, (b) you are a resident of Washington, and/or (c) the Sprinkles Cupcakes Bakery(ies) you will develop under the Development Agreement is/are located or is/are operated in Washington.

2. **Fee Deferral.** The following paragraph is added to the end of Section 4 of the Development Agreement:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

3. **Addition of Paragraphs.** The following paragraphs are added to the end of the Development Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the “Act”), Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede this Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede this Agreement in your relationship with us including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded

by this Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisee's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in this Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in this Agreement or elsewhere are void and unenforceable in Washington.

IN WITNESS WHEREOF, the parties have executed this Rider to the Development Agreement on the date stated on the first page.

FRANCHISOR

SPRINKLES FRANCHISE GROUP LLC

By: _____

Name: _____

Title: _____

DEVELOPER

[_____]

By: _____

Name: _____

Title: _____

NEW YORK REPRESENTATIONS PAGE

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 28, 2023
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

Item 23

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sprinkles Franchise Group LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale.

New York requires that Sprinkles Franchise Group LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that Sprinkles Franchise Group LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Sprinkles Franchise Group LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Sprinkles Franchise Group LLC, located at 7710 Rialto Blvd Suite 150, Austin, Texas 78735. Its telephone number is (737) 256-8300.

Issuance date: April 28, 2023

The name, principal business address, and telephone number of each franchise seller offering the franchise are as follows: Brett Willis, whose contact information is 7710 Rialto Blvd Suite 150, Austin, Texas 78735, (737) 256-6681 x 1034, and _____.

Sprinkles Franchise Group LLC authorizes the respective state agents identified in Exhibit A to receive service of process for us in the particular states.

I received a Franchise Disclosure Document from Sprinkles Franchise Group LLC, dated as of April 28, 2023, that included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Rights Agreement
- D Operations Manual Table of Contents
- E List of Franchisees
- F List of Franchisees Who Have Left the System
- G Financial Statements
- H Release on Renewal/Transfer
- I Additional Disclosures and Riders Required by State Franchise Laws

Date

Prospective Franchisee [Print Name]

(Date, Sign, and Return to Us)

Prospective Franchisee [Signature]

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Date

Prospective Franchisee [Print Name]

(Date, Sign, and Keep for Your Own Records)

Prospective Franchisee [Signature]